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# Social Security and Wage Poverty

Historical and Policy Aspects  
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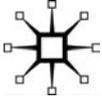
# **Social Security and Wage Poverty**

**Historical and Policy Aspects of  
Supplementing Wages in Britain and Beyond**

Chris Grover

*Senior Lecturer in Social Policy, Lancaster University, UK*

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*For Karen*

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# List of Abbreviations

AFDC	Aid to Families with Dependent Children
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
AST	Records of the Unemployment Assistance Board, Supplementary Benefits Commission and of related bodies
AWA	Amalgamated Weavers' Association
BN	Records of the Department of Health and Social Security and related bodies
CBI	Confederation of British Industry
CCTC	Childcare Tax Credit
CHB	Child Benefit
CoSJ	Commission on Social Justice
CPAG	Child Poverty Action Group
CPI	Consumer Prices Index
CPRS	Central Policy Review Staff
CSJ	Centre for Social Justice
CTC	Child Tax Credit
CTR	Council Tax Reduction
CYPR	Children and Young Persons Review
DfE	Department for Employment
DHSS	Department of Health and Social Security
DLA	Disability Living Allowance
DPB	Domestic Purposes Benefit
DPTC	Disabled Person's Tax Credit
DSS	Department of Social Security
DWA	Disability Working Allowance
DWP	Department for Work and Pensions
EDWG	Economic Dependency Working Group
EITC	Earned Income Tax Credit
ESA	Employment and Support Allowance
ETU	Earnings Top-Up
FA	Family Allowance
FAP	Family Assistance Plan
FB	Family Benefit
FC	Family Credit
FCa	Family Care
FIS	Family Income Supplement
FTC	Family Tax Credit
GAI	Guaranteed Annual Income
GDP	Gross Domestic Product

GLA	Greater London Authority
HB	Housing Benefit
HM	Her/His Majesty's
HMRC	Her Majesty's Revenue and Customs
IFS	Institute for Fiscal Studies
ILO	International Labour Organization
ILP	Independent Labour Party
IoD	Institute of Directors
IPPR	Institute for Public Policy Research
IR	Records of the Board of Inland Revenue, Stamps and Taxes Division
IS	Income Support
IWTC	In-Work Tax Credit
JSA	Jobseekers' Allowance
LAB	Records of departments responsible for labour and employment matters and related bodies
LPC	Low Pay Commission
LPU	Low Pay Unit
LRO	Lancashire Records Office
LW	Living Wage
MDR	Marginal Deduction Rate
MFTC	Minimum Family Tax Credit
MH	Records of Local Government Board and Ministry of Health Poor Law Department and successors
MP	Member of Parliament
MPNI	Ministry of Pensions and National Insurance
MPT	Marginal Productivity Theory
MTR	Marginal Tax Rate
NA	National Archives
NAB	National Assistance Board
NAIRU	Non-Accelerating Inflation Rate of Unemployment
NALU	National Agricultural Labourers' Union
NAO	National Audit Office
NASL	National Anti-Sweating League
NCB	Non-Contributory Benefit
NFU	National Farmers' Union
NHS	National Health Service
NIT	Negative Income Tax
NMW	National Minimum Wage
NRO	Norfolk Records Office
NUAW	National Union of Agricultural Workers
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
OPB	One Parent Benefit
OPCS	Office of Population Censuses and Surveys

PAC	Public Assistance Committee
PAYE	Pay As You Earn
PIN	Records of Ministry of Pensions and National Insurance, and of related, predecessor and successor bodies
PIP	Personal Independence Payment
PLC	Public Limited Company
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
PTC	Parental Tax Credit
PTR	Participation Tax Rate
RRO	Relief Regulation Order
SB	Supplementary Benefit
SBC	Supplementary Benefits Commission
SJPG	Social Justice Policy Group
T	Records of HM Treasury
TELCO	The East London Communities Organisation
TGWU	Transport and General Workers Union
TUC	Trade Union Congress
UAB	Unemployment Assistance Board
UC	Universal Credit
UISC	Unemployment Insurance Statutory Committee
WFF	Working For Families
WFTC	Working Families' Tax Credit
WIC	Women's Industrial Council
WTC	Working Tax Credit
WTUL	Women's Trade Union League
WW	World War
<i>d</i>	pence
<i>s</i>	shilling

# 1

## Introduction

In December 2014 3.22 million families in the UK were receiving state-sponsored wage supplements (tax credits). The majority (82.9%) of those families contained at least one child, but nearly a fifth (17.1% or 567,000) were families with no dependent children (extrapolated from HM Revenue and Customs, 2014a, figure 1.1). In 2012/13 families with dependent children received tax credits of £7,118 per annum on average, with tax credits for families where at least one person was in wage work costing a total of £19.9 billion (HM Revenue and Customs, 2014b, Tables 1.1 and 2.2). This represented 12% of benefit expenditure (Department for Work and Pensions [DWP], 2013a). For Tomlinson (2012, p. 221) the extent of such wage supplementation represents:

a startling return to the eighteenth-century-style Speenhamland system of 'outdoor relief', a reversal that would have early nineteenth-century economic liberals rotating in their graves...we need to talk less about the 'triumph' of neo-liberalism, and more about how and why, and with what political consequences, the state plays such an enormous role in sustaining current employment levels.

For the purposes of *Social Security and Wage Poverty*, Tomlinson's comments are interesting for several reasons. First, they point to the importance of an historical understanding of wage supplements. His reference to the Speenhamland system – a form of wage supplement formalised in the late 18th century in the county of Berkshire and one of the most misinterpreted forms of poor relief (see Chapter 2) – demonstrates this. Second, Tomlinson highlights the importance of more abstract conceptual and theoretical issues (his references to liberalism and neoliberalism) in understanding the supplementation of wages, for, like any other social policy, state provided wage supplements cannot be understood outside of the ideological and discursive. Third, he hints that wage supplements are equally, if not more, concerned with economic issues ('sustaining current employment levels' as he puts it) than they are with social needs (for example, the material condition of families that receive such a low wage income, given their circumstances, the state sees a necessity to supplement it).

*Social Security and Wage Poverty* focuses upon such issues related to wage supplements at a time when there is concern about the level of wages and the incidence of low wages in Britain and beyond (see, for example, Living Wage Commission, 2014 on Britain; Fernández *et al.*, 2004; Adreß and Lohmann, 2008; Lohmann, 2008; Airio, 2009; European Foundation for the Improvement of Living and Working Conditions, 2010; Clark and Kanellopoulos, 2013 on Europe; Jefferson and Preston, 2013 on Australia; Wisman, 2013 on the USA). The Resolution Foundation (Corlett and Whittaker, 2014), for example, estimates that in Britain 5.2 million employees (22% of the total) receive a poverty level hourly wage.<sup>1</sup> Perhaps this should not be a surprise because of post-2008 wage trends. Blanchflower and Machin (2014), for instance, describe the consequences of the 2008/09 economic crisis for real wages as being ‘unprecedented’. They note (*ibid.*, p. 19) that falling real wages:

did not happen in previous economic downturns: median real wage growth slowed down or stalled, but it did not fall. Indeed, in past recessions, almost all workers in both the lowest and highest deciles of the wage distribution experienced growing real wages. It was the unemployed who experienced almost all the pain: they lost their jobs and much of their incomes, and many were unemployed for a long time.

The fact that increases in unemployment have not occurred to the same extent as in previous economic crises has been a source of surprise for many economists,<sup>2</sup> such as Philpott (2014, p. 1) who ‘thought unemployment would top three million and stick close to that level for some time’ (see also Bell and Blanchflower, 2010, Blundell *et al.*, 2014).

Working people have paid, however, for keeping their jobs by having to endure lower earnings (including nominal and real wage cuts) and reduced hours (Blanchflower and Machin, 2014; Bovill, 2014). It is estimated, for example, that while nominal earnings rose by about 2% between 2009 and 2013, inflation-adjusted real earnings fell by 8% (Bovill, 2014). Meanwhile, Blundell *et al.* (2014) found that for some workers it was not just real wages that fell. They note, for instance, that while the majority of workers who stayed in the same job between 2010 and 2011 experienced real wage cuts (70%), a significant minority experienced nominal wage freezes (12%) or nominal wage cuts (21%).

Meanwhile, the 2008/09 economic crisis saw a rise in various forms of precarious employment (for instance, casual, very short-term employment and zero hours contracts) (see Berrington *et al.*, 2014 on young people). The Office for National Statistics (ONS, 2014) estimated that in January and February 2014 there were 1.4 million employee contracts in Britain that did not guarantee a minimum number of hours and in October to December 2013 over half a million (583,000) people were employed on such contracts in their primary employment. It is believed that the rise of zero hours contracts has contributed to under-employment post-2008 and evidence suggests that people on such contracts tend to be lower paid; that workplaces using such contracts have a higher proportion of workers

receiving low pay compared to those companies that do not use such contracts (Pennycook *et al.*, 2013); and that people on such contracts are more likely than other workers to want more hours of work (ONS, 2014).

The consequence of these trends is demonstrated in the fact that many households living in poverty have at least one member in paid employment. So, for instance, nearly two-thirds (63%) of children living in poverty are in households where at least one adult is in work (Carr *et al.*, 2014, p. 48). The explanation of this – that the majority of children live in families where at least one parent is in work – is weak given the policy importance that is placed upon wage work as being the means to address poverty (Chief Secretary to the Treasury, 2003; Secretary of State for Work and Pensions, 2010a, 2010b). Furthermore, such trends are reflected in contemporary problems related to what has been described as the ‘cost of living crisis’ by a variety of commentators and analysts,<sup>3</sup> for instance, the increasing use of food banks for emergency food supplies by people in work (All-Party Parliamentary Inquiry into Hunger in the United Kingdom, 2014; Cooper *et al.*, 2014).

It is not the case though, that low wages were caused by the 2008/9 economic crisis. If this were the case, it would make for a very short book! In contrast, low wages have been related to poverty for hundreds of years. Quigley (1996, p. 75), for instance, notes how in feudal times ‘work and poverty went hand in hand,’ while the Booth (1903) and Rowntree (1901) surveys of late 19th century London and York respectively highlighted a continuing relationship between low and/or intermittent wages and poverty, as have the various ‘rediscoveries’ of poverty since the 1960s (Abel-Smith and Townsend, 1965; Secretary of State for Social Services, 1985a; HM Treasury, 1999a).

What is intriguing, however, and what provides the substantive focus of *Social Security and Wage Poverty* is how low wages have been construed as a social problem that may (or may not) require the state to intervene. In this context, the narrative of the book is primarily concerned with explaining how, in Britain, there was a policy move away from the Poor Law Amendment Act 1834 which prevented Poor Law authorities from subsidising the wages of working poor people, unless in exceptional circumstances, to the situation in contemporary society where, as we have seen, the supplementation of wages is widespread and is likely to be even more so with the development of Universal Credit (UC) (see Chapter 9). The book explains this by examining debates about, and developments in, poor relief and social security policy at particular moments when there was concern about in work poverty and its potential consequences at a local level (Chapters 2 to 4) and at a national level (Chapters 5 to 9). In addition, Chapter 10 examines potential alternatives to supplementing workers’ wages by examining notions of living and minimum wages, and Chapter 12 examines how and why two other nations (New Zealand and the USA) developed wage supplements.

### **Locating *Social Security and Wage Poverty***

Hill (1990) notes that there are at least four approaches – social administration, economics, implementation and political science – to understanding social

security policy. State-sponsored wage supplements have been analysed using each of these approaches, although it can be argued that the issue of wage poverty has been most forcefully highlighted through the social administration approach which, as Hill (1990) highlights, has its origins in the Booth (1903) and Rowntree (1901) poverty studies. Hill (1990) notes that such studies led to demands for social security policies beyond 'the very limited response to need already provided by the Poor Law'. And, as we see in Chapter 5 the 'rediscovery of poverty' in the 1960s, which once again highlighted the problem of wage poverty, was driven by researchers in the social administration tradition (see Abel-Smith and Townsend, 1965).

In some senses, the economic approach is difficult to separate from that of social administration, because, as Hill (1990) notes, they both demonstrate a concern with the rationality of policy. However, he suggests (*ibid.*, p. 7, original emphasis) that in contrast to social administration, the economic approach is concerned with 'the twin concepts of *efficiency* and *effectiveness*'. The focus of the economic approach is not only upon the ways in which policies may or may not address the needs of individuals, but the way that they may also lead 'to the advancement of the general good' (*ibid.*). In relation to the themes of *Social Security and Wage Poverty* the economics approach is most relevant in the econometrics of out of work and in work (wage supplements) social security policies, including concerns with labour market behaviours and the effects of such policies on labour markets (see, for example, on Britain: Maki and Spindler, 1975, 1979; Atkinson and Fleming, 1978; Kay *et al.*, 1980; Micklewright, 1986; Atkinson, 1993; Blundell *et al.*, 2000; Brewer *et al.*, 2006, 2011a; and on the USA: Dickert *et al.* 1995; Averett *et al.*, 1997; Meyer and Rosenbaum, 1999; Eissa and Hoynes, 2004).

For Hill (1990) the strength of the implementation approach is within the ways in which it highlights differences between policy and practice – that it is a 'false picture of the policy process to assume that policies are passed down to implementation staff with their goals and objectives clear, their ambiguities eliminated and their relationships to other policies adequately sorted out' (*ibid.*, pp. 12–13). With reference to wage supplements, the main concerns with implementation have been in regard to difficulties related to introducing new social security policies (see, for example, Child Poverty Action Group (CPAG), 2004; Lane, Wheatley and Bremne, 2005; Griggs *et al.*, 2005; Howard, 2004; House of Commons Public Accounts Committee, 2005; Brewer, 2006 on tax credits; Tarr and Finn, 2012; House of Commons Public Accounts Committee, 2013; NAO, 2013, 2014, on UC).

In contrast to the economic and social administration approaches, the political science approach to social security is 'concerned to explain the system we have got, and to look at the political forces which have determined its shape and structure' (Hill, 1990, p. 9). Hill (*ibid.*) argues that there are two main political science approaches. These are political economy, rooted in neo-Marxism accounts of social security in the legitimation and reproduction of capitalism (for example, O'Connor, 1973; Gough, 1979; Offe, 1984; Grover and Stewart, 2002) and a liberal pluralist approach 'concerned with the roles of electoral forces, pressure

groups and professional interests in explaining content' (Hill, 1990, p. 9). *Social Security and Wage Poverty* is framed by a political economy approach for two main reasons.

First, the other approaches, particularly the social administration approach, have 'tended to underestimate the political forces ranged against [it]' (Hill, 1990, p. 6). The contemporary social security and wider social policy environment provides an example *par excellence* of this. The 2010–15 Coalition government, for example, argued that it 'came together in the national interest... at a time of real economic danger' (HM Government, 2013, p. 5). In this context, the 'most urgent job was to restore stability in our public finances and confidence in the British economy. In just two years we have cut the deficit by a quarter and have set out a credible path towards our goal to balance the current budget over the economic cycle' (*ibid.*). As is discussed in greater depth in Chapter 9, this has involved substantial cuts to public expenditure which have had a disproportionate effect upon the income poorest areas and people (Women's Budget Group, 2010, 2013; MacLeavy, 2011; Beatty and Fothergill, 2014), and, as has been highlighted by a range of policy actors and institutions, has meant that the statutory obligation to abolish child poverty contained in the Child Poverty Act 2010 would not have been met, even before the proposed abolition of its measures and targets in the Welfare Reform and Work Bill 2015 (Brewer *et al.*, 2011a; Social Mobility and Child Poverty Commission, 2013).

Second, the political economic approach is preferable because the other approaches focus upon the way in which social security programmes operate, which is problematic because they ignore the ways in which they are embedded in a wider set of social relationships, and related ideologies and discourses. If histories of poverty relief tell one story, it is that the policies which make up such programmes are influenced by concerns that are much wider than merely the way in which they might be operating. This is not to argue, as is the case in the liberal pluralist tradition, that the state is a neutral arbiter of competing demands (Hill, 1990), but suggests that social security policy, like other social policy areas, is framed by a set of concerns related to the ways that British society is structured through a range of social relationships, notably those related to capitalism and patriarchy.

The analysis of *Social Security and Wage Poverty* is located in what has been conceptualised as the tensions central to capitalism and the dilemmas that these create for the state in attempting to manage those tensions. Such approaches to social security policy, as noted above, are developed from neo-Marxian understandings of social welfare policy. Marx said very little about such policies and, in fact, Mishra (1977, p. 74) argues that because of the way in which capitalism was organised it was Marx's belief that it was not possible for individuals to obtain a true measure of welfare. Nevertheless, because, for Marx (1976, originally 1867) capitalism is a socially embedded process, it can be argued that it requires at least some non-market based intervention to help ensure its longer-term reproduction. While the nature of those interventions differ between countries because of a range of nationally based economic, historical, moral and social factors (Peck and

Theodore, 2001), the accumulation process cannot be left to its own devices as it is, ultimately, destructive (Marx, 1976).

There are various ways in which political economic analysts have attempted to explain the relationships between social policy and the capitalist accumulation process. In the 1970s and 1980s analysts (for example, O'Connor, 1973; Gough, 1979; Offe, 1984) argued that social policies (or, more specifically, the welfare state) had roles in managing the long-term, strategic interests of capitalism – or, as Ginsburg (1979, p. 2) put it, ‘the functioning and management of state welfare suggests that it remains part of the capitalist state which is fundamentally concerned with the maintenance and reproduction of capitalist relations’. In such analyses welfare states are held to have two roles, reproduction and legitimation. In the case of the former, the focus is upon how welfare states act in the longer-term interests of capital by, for example, ensuring the social reproduction of a relatively disciplined, healthy and skilled workforce. The latter is concerned with the ways in which state welfare policies act to address the worst exploitative excesses of capitalism – a means of helping to maintain social harmony (see, for example, Piven and Cloward, 1971 on employment schemes in the USA).

In the 1970s and 1980s the theoretical concern was whether these two roles were so antagonistic that the reproduction of capital was undermined by the costs of its legitimation. O'Connor (1973, p. 6), for instance, argued that the financial cost of legitimation was increasing at a greater rate than expansion in the economy required to pay for it. This undermined the state's ability to maintain a framework of profitability for capital. In Offe's (1984, p. 153, original emphasis) words, it appeared that ‘capitalism cannot coexist *with*, neither can it coexist *without*, the welfare state’. This is what Jessop (1999) later described as ‘Offe's paradox’. Such analyses, however, were criticised by Klein (1993), who suggested that they were too broad in their application and, given the experiences of the 1980s, that they were empirically unsound. His argument was that in contrast to undermining political legitimacy, welfare states throughout the 1980s adequately managed any potential crisis of legitimacy because they essentially remained unchanged. However, Klein's arguments that the British welfare state has essentially remained the same, with some managerial adaptations, have been highlighted as indicative of the broad-brush approach he was critical of in regards to the neo-Marxist analyses of the 1970s and 1980s (Grover and Stewart, 2002).

Drawing upon the French Regulation School, Jessop (1994a, 1994b, 1999 and 2002) has a more nuanced approach than authors such as O'Connor (1973) and Offe (1984). Rather than locating their observations about the tensions between accumulation and consumption in the welfare states of the 1970s as a general crisis of capitalist accumulation and legitimation, Jessop locates these tensions in an increasingly disjunctive position between a newly emerging accumulation regime premised upon neoliberalism and the existing social mode of economic regulation of the Keynes–Beveridge welfare settlement. So, for Jessop (1999), Offe's paradox was not so much a paradox as it was an observation of the disjunction between capital accumulation premised upon increasingly neoliberal tenets and a welfare regime premised upon Keynesianism. The two were incompatible, so

the search was on, particularly in the 1980s, for a social mode of regulation that was in tune with neoliberalism. *Social Security and Wage Poverty* argues that the expansion in 1980s Britain of the supplementation of wages can be understood as part of this neoliberal shift in the social regulation of capital accumulation.

The strength of Jessop's work is that, rather than seeing social welfare policies as part of the potential destruction of capitalism, it provides a means of explaining roles that social welfare policies have in the longer-term stabilisation and reproduction of capitalism. Central to such analyses is an understanding that the economic sphere is socially regulated via state and extra-state institutions (Peck, 1996). In this context, for example, Jessop (2002) argues that the state helps to reproduce labour power over the long term as such a process cannot be left to chance. While capitalism requires labour to profit, neither it nor working people are necessarily concerned with the long-term reproduction of labour power. Workers, for instance, might not spend their wages on the reproduction of their labour power, while the labour process may degrade labour power, for example, through harmful wage work practices (see, for example, Tombs and Whyte, 2008, 2010).

It is within this general thrust that concerns with wage supplementation in *Social Security and Wage Poverty* are situated. Debates about, and the practice of, supplementing wages are located within tensions which are held to be created by the existence of social welfare measures (particularly, financial relief for workless people) in relation to wage work incentives.<sup>4</sup> Those tensions are linked to a range of economic concerns that, in turn, are related to the potential effects of such policies on the supply of labour (Grover and Stewart, 1999, 2002). In this sense, this book draws upon the regulation approach's view that the economic is, at least in part, stabilised through intervention in the social.

Political economy approaches to social security have been criticised. Hill (1990, p. 11), for example, suggests that they are both pessimistic about the potential for 'effective measures to attack inequality' and unrealistic in that they 'invite us to draw conclusions about the need for revolutionary change to transform the economic order'. Arguably, outside of social administration traditions, such observations are not particularly problematic. As we shall see, it is difficult not to be pessimistic about, for instance, wage poverty and wage supplements. Despite knowledge of the incidence and impacts of low and unequal wages over many years, wage poverty remains a significant social problem which is worsening rather than improving. Given this, it is perhaps not surprising that some analysts have pointed to the difficulties in securing change within economic and social policy orthodoxies.

A further criticism of political economy approaches to social security policy is that they focus upon one set of social relationships – those of (often male) workers to capital – at the expense of other social relations. As Pascall (1986, pp. 14–15) notes, political economy analysts 'treat women's relationship to capital at the expense of women's relationship to men'. This is a pertinent critique of political economy and it is clear that debates about and the development of wage supplements have also been structured by concerns that are central to relations

between men and women, related in various ways to, for example: the notion of private and public patriarchy (Walby, 1990); 'male breadwinner' and 'adult breadwinner' wages (Seccombe, 1986; Creighton, 1999; Land, 1980, 1999); and the 'purse versus the wallet' debate (Goode *et al.*, 1998). In this context, *Social Security and Wage Poverty* discusses the ways in which concerns about low wages and wage poverty have been, and are, located in approaches of policy actors and institutions (for example, implementation staff, policy makers and trade unions) to, and concerns with the possible implications of state-sponsored wage supplements for, gender relations, particularly within (heterosexual) couple households.

## Understanding wages and wage poverty

In an ideal-typical sense, Figart *et al.* (2002) argue there are three main discourses in which wages have been conceptualised, as a living, as a price and as a practice. While they suggest that at any one time several or all of these three ways of conceptualising wages may be visible, we take them separately for analytical purposes.

### Wages as a living

Figart *et al.* (2002, p. 35) argue that the idea of wages as a living is essentially concerned with social reproduction in that 'the wage paid to labourers must be sufficient to guarantee the continuing health and productivity of the worker. More than this, the wage must enable the working class to raise a healthy and productive next generation, to "reproduce" itself over time.' They go on to note that conceptualising wages as a living has both normative and analytical expressions. In the case of normative expressions, as the recent politics of living standards in Britain and other countries demonstrates, Figart *et al.* (2002) point to the concern as being one of 'fairness'. In the case of analytical expressions, Figart *et al.* (2002, p. 35) argue that the idea of wages as a living has been understood as a 'precondition for the efficient and effective functioning of a market-based economic system'.

Rothschild (1954, p. 4) observes that the 'first coherent wage theory' was the subsistence theory of wages. It was a theory associated with the Physiocrats in France and later Adam Smith (1970, originally 1776) and other classical political economists, including Malthus (1989, originally 1798) and Marx (1976, originally, 1886). For Rothschild (1954, p. 4), it was a 'rather simple theory ... that, *in the long run*, wages would tend towards that sum which is necessary to maintain a worker and his [sic] family'. The basis of the subsistence theory of wages was that wages were linked to an inherent desire of humans to procreate. Rothschild (1954, p. 4) explains:

It was assumed that every increase in wages above the subsistence minimum would at once induce workers to have larger families. The consequent increase in the supply of labour would bring wages back down to the old level. On

the other hand, a wage level that fell below the subsistence minimum would mean that starvation, increased infantile mortality, postponed marriages, all resulting in reduced supply of labour would ultimately led to an increase in wages.

Unsurprisingly, what was central to such debates about subsistence wages, and something that continues in contemporary debates about living wages (LWs), was the level at which they should be set. As Rothschild (1954, p. 8) notes, 'the term "subsistence minimum" itself was by no means free from vagueness. Was it to include the bare necessities of a primitive tribesman only, or were there to be some "extras"?' Early subsistence wage theorists, Rothschild notes, had in mind 'a very frugal living standard indeed' (*ibid.*). Figart *et al.* (2002), for instance, note that Adam Smith's view of wages was premised upon a level of subsistence which was the 'lowest which is consistent with common humanity' (Smith, 1970, p. 171), but which 'must be sufficient to maintain him' (*ibid.*) and, if he had any, his children. Smith expected wives to support themselves, but not their children because 'of her necessary attendance' on them (*ibid.*). That said, Smith (1970) also departed from the existing political economy tradition in that, despite his comments, he was not an advocate of low wages (Himmelfarb, 1984). Figart *et al.* (2002, p. 36), for instance, note that 'his hope was for a sufficient level of economic growth that demand for labour outran supply, allowing wages to rise to a level of comfort'. In addition, Smith (1970) rejected the orthodoxy that if the labouring population was to be incentivised to do wage work it needed to be paid low wages.

For Thomas Malthus (1989), the ability of workers to propagate exceeded their ability to produce their subsistence. Hence, in the first edition of *An Essay on the Principle of Population*, Malthus argued that a country's population essentially adjusted to the means of supporting it. If the population was increasing too fast, it would be checked by a range of factors (for example, disease, famine and war) which would bring it to equilibrium with the means of supporting it. Himmelfarb (1984, p. 130) argues that in the early years of industrialisation the ideas of Thomas Malthus prevailed over those Adam Smith because they were:

more congenial to early capitalism. [Smith's ideas] taught the poor, so the argument goes, that they were fated to remain poor and would be doing well if they managed not to become poorer than they were, that nature, not some malevolent employer, kept wages down, that poverty was a fact of life – the order of such other natural facts as food and sex, indeed an inevitable consequence of those natural facts.

Himmelfarb (*ibid.*) also suggests Malthus' arguments informed employers that they were 'bound by...natural laws' and any attempts to interfere would be to the detriment of their employees, and 'taught the government to stay out of the economic process on the grounds that wages, prices, hours, conditions of work, and all other economic factors should be determined by the free market' (*ibid.*).

In the middle of the 19th century Marx drew upon the ideas of earlier neoclassical political economists in that he argued in his labour theory of value that the value of commodities was proportionate to the labour time that it took to produce them. In this sense, wages had 'to reflect the labor embedded in the commodities and services required to produce the worker's labor power – in other words the necessary *living expenses* of the worker' (Figart *et al.* 2002, p. 37). As Figart *et al.* (*ibid.*) note, however, the amount considered enough to reproduce labour power is historically specific and is often a point of contention between capital and labour. Marx, for instance, 'had little illusion about the tendency of employers to drive down living standards wherever possible'.

The notion of subsistence wages, however, was problematic. In addition to the difficulties and differences in defining what might be considered as subsistence, subsistence wage theory was an approach concerned with the long term. This meant that it had difficulty in explaining short-term movements in wages and its effects would only be visible in the long term. Blaug (1958, p. 115) explains, in relation to Thomas Malthus' work, 'a reduction in the birth rate could not effect wages in less than sixteen to eighteen years'. As Blaug (*ibid.*) notes, by the 1930s it was being 'pointed out...no wage earner will ever be motivated by such remote consequences'.

Second, human agency had the effect of undermining the analytical potential of subsistence wages. So, for example, despite Adam Smith's hopes that the demand for labour would rise by such an extent that wages would increase from subsistence to comfort, he was fully aware of the power differentials between employers and labourers. He noted, for example, that: 'Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate' (Smith, 1970, p. 169). Indeed, employers often sought to 'sink the wages of labour even below this rate' (*ibid.*), a point that, as we have seen, Marx also made (see Chapters 3 and 4 for examples of such action by agricultural and cotton production capitalists).

What these actions meant was that wages lost any connection they may have had to subsistence as they tended to be paid at a rate that employers (and later with the rise of trade unions, workers) could successfully secure. Once wages had lost their connection to frugality, Rothschild (1954, p. 8) argues the idea of subsistence 'failed to give an unequivocal explanation of the determination of wages'. This was, arguably, reflected in Malthus' second edition of *An Essay on the Principle of Population*, which included a new preventative check – moral restraint (the postponement of marriage and premarital sexual abstinence) – to population growth. For Blaug (1958, p. 105), this provided Malthus' work 'with a perfect escape clause making it almost impossible to grapple with it successfully. Whenever the growth of the population was accompanied by a rise instead of a fall in the standard of living, the "contradiction" was resolved by crediting the result to the operation of the moral check.'

Despite these now obvious problems with subsistence approaches to wages, it is nevertheless the case that many of the themes – for instance, what might be considered an adequate wage (even if only at subsistence level), relationships between wages and physical and social reproduction – have been central to

debates about poor relief and social security policy for both workless and working poor people for many years (see, for example, Cowherd, 1977, Himmelfarb, 1984; Poynter, 1969). This is because of what has been held as the potential of providing financial assistance to people in and out of wage work to disincentivise them from working, making them, in the words of the 1834 Poor Law Commission Report, 'idle, lazy, fraudulent and worthless' (Checkland and Checkland, 1974, p. 196). Such concerns continue in the contemporary social security policy environment. Furthermore, interest in subsistence notions of wages has arguably been reignited in recent years in various countries by the development of LW campaigns (see Chapter 11). The advocates of such approaches might reject the arguments of early subsistence wage theorists, preferring instead to emphasise the demands of organised labour for a LW (see Grover, 2005, 2009). Nevertheless, it is difficult to deny that contemporary ideas about LWs can, at least in part, be located in those early political economy approaches to wages.

### **Wages as a price**

Figart *et al.* (2002) argue that from the late 19th century the idea of wages as a living was usurped by the notion of wages as a price. Rothschild (1954) makes a similar observation when describing the emergence of Marginal Productivity Theory (MPT), the origins of which, he argues, can be traced to the 1830s when Mountford Longfield argued that the demand for labour was 'caused by the utility or value of the work which they [labourers] are capable of performing' (cited in Rothschild, 1954, p. 11). In contrast to subsistence theories of wages, in MPT wages essentially reflect supply and demand rather than the key determinant being the needs of workers. Figart *et al.* (2002, p. 43), for example, note that in such approaches 'wages did not reflect social designated living standards, but rather the value of the work performed'.

The neoclassical tenets of wages as a price are neatly summarised in Hicks' (1963, originally 1932, p. 1) argument that the 'theory of the determination of wages in a free market is simply a special case of the general theory of value. Wages are the price of labour; and thus, in the absence of control, they are determined, like all prices, by supply and demand.' To understand wage levels in this argument what must be understood particularly is the way in which the demand for labour works. Such developments are primarily made at a high level of abstraction with assumptions, often unobservable in the real economy, regarding the operation of labour markets.

Figart *et al.* (2002) argue that institutional economics attempted to bring some realism to the more abstract work of neoclassical approaches. The early institutional economists rejected the individualism of neoclassical economics, suggesting that economics was, indeed, concerned with issues related both to social needs and to those of individuals. In addition, they disliked the abstracted nature of neoclassical economics (see Veblen, 1994, originally 1899; Commons, 1923), and later institutional (or more accurately neo-institutional) economics, which combined the focus of marginal productivity upon supply and demand side with that of socio-cultural factors to explain wage levels (Figart *et al.*, 2002).

Such approaches emphasised a multiplicity of labour markets and wage rates, and in 'wage clusters and bands, relative wages were subject to institutional rigidities and habits linked to custom' (*ibid.*, p. 45; see Dunlop, 1966, originally 1944 and Reynolds, 1971, originally 1951 as examples).

Despite the work of institutional and neo-institutional economists, Figart *et al.* (2002, p. 49) argue that in the post-WWII period a neoclassical hegemony emerged whereby 'analyses of wages came to be increasingly reliant on market explanations, providing models of wages as a price unmodified by examination of wages as a living or as a social practice'. The notion of wages as a price is important for the purposes of *Social Security and Wage Poverty* because of its implications for understanding relationships between wages and familial responsibilities that low waged workers might have. It is observed in several places that debates about, and the practice of, supplementing wages have been firmly located in the dissonance between the idea of wages as a price for individual labour power and the familial responsibility of workers. Where wages are paid at such a level that they are deemed unable to meet even the subsistence needs of workers there is often a range of socio-economic pressures upon the state to do something to alleviate the dissonance.

Figart *et al.* (2002) point to some of these in their discussion of the moral dimensions of wages. So, for instance, while Pigou's (1913) ideas were firmly located in market-based analyses of wages, he nevertheless supported a guaranteed living paid by the state and related to family size, or as Takami (2009, p. 37) notes: 'Instead of obliging employers to support each single worker's livelihood, Pigou recommends that the government directly provides poor workers with the ways and means by which they could attain the minimum standard.' Pigou's reasoning was moral: 'Though the sky should fall, there are some conditions below which we, as civilised people, can never allow any fellow-citizen to fall' (cited in Figart *et al.*, 2002, p. 40). Figart *et al.* (*ibid.*) argue that a similar point was made in the USA by John Bates Clark (1913). However, what we have in these views is not so much wages as a living – indeed, Pigou was critical of John Hobson's, view of the minimum wage as a LW (see Takami, 2009, Chapter 10 in this volume) – but with a living income made up partly of wages and partly of state-sponsored support. Such a combination was recommended by Hobson as a member of the Independent Labour Party's commission charged with examining the possibility of a LW for its *Socialism in Our Time* programme (Brailsford *et al.*, 1926, discussed in Chapter 10).

In addition to moral pressure, however, there are also economic and social pressures to help support those households where the wage earner is low paid. This is particularly the case in countries where there are social security systems which provide an income for workless poor people, for in such countries the lower the wages are at entry level (where workless people might expect to enter labour markets), the greater, so the argument goes, is the potential for workers being disincentivised from taking and/or doing more wage work. Various economic concepts, including high replacement ratios (for example, Atkinson and Fleming, 1978; Maki and Spindler, 1979; Kay *et al.*, 1980) and the unemployment and

poverty traps have been used to describe such circumstance (for instance, Field and Piachaud, 1971; Barr and Coulter, 1990; Bradshaw and Millar, 1990; Hill, 1990; Alcock, 1993; Spicker, 1993; Millar, 1994; Walker, 1994; Whiteford and Bradshaw, 1994).

The potential disincentivising of workers from taking wage work is problematic in an economic sense because, for example: of the costs of supporting an unnecessarily large number of unemployed people who do not seem to have a vested economic interest in taking wage work; and the potential effect of such a group of work-disengaged people on macro-economic issues, such as wage inflation. Both of these potentialities, as we shall see, were of particular interest, at least in Britain, from the 1980s. Furthermore, there are long-standing concerns with the wider social consequences of high levels of wage worklessness for both contemporary and future generations, for instance, in the connections between a range of social problems (notably, crime and disorder, and familial instability) and unemployment, and the intergenerational transmission and reproduction of unemployment and its potential consequences (see, for example, Grover, 2008a, 2011a; Fergusson, 2013).

### **Wages as a social practice**

So far the discussion of wages has, albeit in different ways, been focused upon wages as an economic phenomenon. However, it is also the case, as Figart *et al.* (2002) argue, that wages can be understood as a social practice. What they mean by this is that '*wages are a socially embedded activity that can either reproduce or transform social relations and institutionalized norms*' (*ibid.*, p. 59, original italics). More concretely, they note (*ibid.*, p. 5) that '[w]ages have been used to signify and to enforce accepted places for different social groups; and groups in their struggles to free themselves from social oppression have demanded that their wages be established on a different basis'. Figart *et al.*'s (2002) focus is upon women and wage work in the USA. They note that from the time women became established in labour markets in the USA that 'questions were raised about their worth' (*ibid.*, p. 4). These questions were based on a 'complex interaction of social and cultural assumptions, market forces and government regulation' (*ibid.*). These included such considerations as: whether women should be paid as much as men; if they were paid as much as men, would they be discouraged from their socially ascribed roles as wives and mothers; and whether such considerations were specific to particular social classes and/or 'races' of women. In other words, contained in the idea of wages as a social practice is consideration of the way in which debates about wages and their regulation are constructed through, and help to reproduce, unequal gender relations. As a social practice, wages might 'extend the concept of a male breadwinner family to working class families or keep it as a middle-class prerogative... could encourage or discourage women's labour force participation, occupational segregation by gender and/or race-ethnicity, and/or class divisions among members of the same gender or racial-ethnic group' (*ibid.*, p. 59).

In the case of wage supplements in Britain such issues have been important in several respects, which include: the understanding (or the lack of it) of central

government policy makers of wage structures and gender relations in particular industries (see Chapter 4, for example, on wage and gender in Lancashire's cotton industry); who should receive wage supplements and why in couple households (always defined as heterosexual in wage supplement policy terms) (Chapters 6, 8 and 9); how the development of wage supplements might impact upon the 'purse' and 'wallet' and what the consequences of this might be (Chapters 7 and 8); how women with dependent children outwith the patriarchal family might be supported in wage work and the implications that this might have for the patriarchal family (Chapter 8); and how wage supplements are related to particular conceptualisations of wages (for example, Chapter 11 on the 'fair wage' and wage supplementation in New Zealand).

### **Low wages and wage poverty**

Relationships between low wages and wage poverty are complex (Bennett, 2014). It is not the case that all those people who might be considered as being paid low wages can also be considered to be living in poverty, and it is not the case that all those people who receive above poverty level wages do not live in poverty. There are several reasons for this. First, as we have seen in the case of wages as a price, wages can be considered as reflecting the market price for an individual's contribution to their employer's enterprise, rather than reflecting the employee's needs or that of their family (as, for example, the case of wages as a living might). This means that large family households are more likely to be living in poverty compared to households with smaller families (Bradshaw *et al.*, 2006) – and given the difficulties with the calculation of LWs (see Grover, 2005; Bennett, 2014), it is an argument which can also be applied to subsistence wages.

However, as for example is the case in Pennycook and Whittaker's (2012a) work, if low wages are taken as being below a measure of the median hourly wage (two-thirds in their case), then those workers at the greatest risk of low wages are female, part-time and casualised (for instance, those working in temporary jobs) and young people. Bennett (2014) argues that these 'types of workers are not often envisaged in reference to "poverty pay"'. In this instance, Bennett seems to be referring to the fact that in policy terms the focus has been almost wholly on families with dependent children and, in more recent years, older workers (those aged thirty years and above). However, in the case of females since the 1970s there has been a policy concern with the employment of lone mothers<sup>5</sup> which has shifted from the maternal deprivation-informed 'employment choice' arguments of the *Finer Report* (Department of Health and Social Security (DHSS), 1974) to the increasing compulsion for lone mothers to take wage work (see, for example, Lewis, 1998; Millar, 2000; Haux, 2012; Whitworth, 2013; Rubery and Rafferty, 2014).

In addition, some households may face high expenditure costs, for example in relation to housing or childcare, which means that they are more likely to be living in poverty compared to other households with a similar income but lower outgoings (c.f. Cooke and Lawton, 2008; Airio, 2009). This observation raises

important issues for the idea of wage poverty, for it is only in a small proportion of cases – Cooke and Lawton (*ibid.*), for instance, estimate about 7.2% in 2004/5 – where there is an overlap between low pay and in work poverty. This is not to argue, however, that in work poverty is not problematic. We saw, for example, at the start of this chapter that a majority of children in Britain living in poverty live in households where at least one adult is engaged in wage work, but the observations of Cooke and Lawton suggests that wage income is just one of the elements in creating the poverty of people in wage work. Hence, wage poverty is in the title of this book not because there is an easy link between poverty and wage income, but because it indicates the book's concern – that poverty in households exists despite the payment of wages – and because it indicates the importance of the source of income to its substantive focus upon the supplementation of wages through poor relief and social security policies.

### Supplementing wages

The institutional parameters of wage supplements were relatively easy to define. *Social Security and Wage Poverty* focuses upon wage supplements paid by the *central or local state* to top up the wages of those people of working age<sup>6</sup> who lack a politically defined level of income. This excludes programmes which pay employers if they hire previously wage workless people and any payments by employers that might be interpreted as a supplement to wages – for example, performance related pay and/or premiums for unpleasant or dangerous work paid in addition to basic wages (on which see Rubery *et al.*, 1997).

What to focus upon in terms of state-sponsored wage supplements, however, was more complex, because much of what the state does in terms of social welfare might be considered as supplementing wages in a broad sense. First, it has been necessary to exclude those forms of poor relief and social security policy that are not directly concerned with subsidising wages. In Britain for many years there has, for example, been financial support for housing (currently Housing Benefit, HB) and local forms of taxation (currently Council Tax Reduction, CTR) (Stephens, 2005). These are available to people in paid work, as well as those who are not, because their main qualifying criteria is low household income and is not related to the relationship of adults in household *vis-à-vis* wage work. Additional cost benefits for disabled people – Disability Living Allowance (DLA) which is currently being replaced by Personal Independence Payment (PIP) for working age people – have been excluded on similar grounds. It might be argued that excluding such benefits is problematic because they have been claimed to act as both an incentive and disincentive for workless people to take wage work (see, for example, Kemp, 1998; Pryce, 1999 on HB; Secretary of State for Work and Pensions, 2010c on DLA and PIP). Such arguments, however, do not change the fact that the main role of these benefits is not related to wage work. They are to help support income poor households to meet the costs of specific items, in the case of HB and CTR, and the general increased cost of living that accompanies being disabled in the case of DLA and PIP (Brawn, 2014).

Such exclusions, however, raise difficulties for some of the policies that are focused on in *Social Security and Wage Poverty*. This is because some – for instance, both Elizabethan and Victorian types of poor relief, public assistance in the 1930s and into the 1940s, Family Allowance (FA) and the more recent Child Benefit (CHB), and the part replacement of Working Families Tax Credit (WFTC) by Child Tax Credit (CTC), and UC – have also been, or are, available to households no matter what the status of the adults in them is in relation to wage work. However, if these were to be excluded all that would be left to study would be policies developed between 1971 and the early years of the 2000s (Family Income Supplement, FIS; Family Credit, FC; WFTC; and Working Tax Credit, WTC). A focus upon only these, however, would be overly narrow for a book about wage supplements because it would mean ignoring the arguments, concerns and practice that shaped earlier forms of poor relief and social security policies. It is necessary to understand those developments in poor relief and social security policy that were, at least in part, premised upon a critique of wage supplementation, or were primarily constructed as a wage supplement, even if they were, or are, also available to wage workless people.

Second, forms of service provision – for instance, free at the point of use health services provided by the National Health Service (NHS) and free school meals – are excluded from *Social Security and Wage Poverty*. This is primarily because they are not social security benefits, although in the past access to free school meals, for example, could be gained by the receipt of means-tested wage supplements. However, such services could be considered as a supplement to wages in a broad sense because if the state did not provide them they would have to be paid for out of wage work income. That said, we cannot exclude all non-financial support provided by the state because in past years it was common for income poor people to have their wages supplemented by non-monetary forms of support (for example, the provision of bread and flour, clothing and boots). This was particularly the case under the poor law, while it was also not unknown for food tickets to be provided by public assistance relief committees in the 1930s where they felt it necessary to supplement full-time, but low, wages (see, for example, Chapter 4 on Lancashire's PAC).

*Social Security and Wage Poverty*, therefore, examines policies (poor relief, public assistance and various forms of social security) that have been primarily constructed through their relationship to the supplementation of wages. Some of these policies have involved provision which has been available only to those in wage work, while others have been paid to households with low incomes no matter the employment status of their adults.

### **A brief note on hours**

A challenging aspect of *Social Security and Wage Poverty* was how to conceptualise wage supplements in relation to the number of hours worked by their potential recipients. This is because, at least until the 1980s, policy making debates about wage supplementation focused upon a dichotomy between being in and out of wage work. Hence, for instance, it was possible for wage workers to receive

poor relief and public assistance for days on which they did not do wage work, even if this was interspersed with days on which they did do such work. Such an approach maintained a distinction between people who could be considered to be in and out of wage work by relieving them as essentially being part-time wage workless.

The difficulty arguably arises in more contemporary times when, for example, FC and tax credits were available to some people working relatively few hours per week (16), who might be considered to be in part-time work. And, as will be seen in Chapter 9, there is no working hour qualification at all for UC. In *Social Security and Wage Poverty*, however, these social security benefits are understood as being wage supplements, while earlier forms of poverty relief for people essentially working part-time by not working whole days are not included. In this sense, the book follows the hours parameters which have been set over the years by debates about, and the practice of, supplementing wages by the state. This is not unproblematic, as conceptually it might be argued that, for instance, the payment of poor relief to people doing wage work on a part-time basis is a form of wage supplementation. However, poverty relief for part-time workers is such an extensive topic, involving, for example, explanations of part-time wage work, considerations of disregarded wage income and expectations of whether recipients could work full time, that it deserves study in its own right.

### **Researching *Social Security and Wage Poverty***

*Social Security and Wage Poverty* primarily draws upon research conducted at Britain's National Archives (NA) and, for Chapters 3 and 4, the Norfolk Records Office (NRO) and the Lancashire Records Office (LRO) respectively. The aim of the research was to examine the content of files that were relevant to the book's focus upon debates about, and the practice of, the state supplementing wages, and to a lesser extent attitudes to wage regulation, in Britain.

To access data at the NA key word searches were used to identify the relevant files. Given that wage supplements have been closely associated in policy discourse with familial income and poverty, searches went beyond those related to just wage supplementation and the relevant benefits, to include combinations of 'allowance', 'benefit', 'child(ren)', 'endowment', 'family', 'poverty' and 'review'. In addition, while reading data contained in files identified through these searches it became clear that other files would have to be accessed to provide a fuller understanding of developments. This was the case, for example, in the development of FC in the 1980s where it soon became apparent from the files of the Department of Health and Social Security (DHSS) that relevant files of the Central Policy Review Staff (CPRS) would need to be considered as its work on policies to address wage worklessness in the early 1980s was central to its antecedents (Chapter 7).

In total, 379 files were examined at the NA for material relevant to the book's focus. This material included memos and letters (between civil servants within and external to the ministries in which they worked, and between officials and ministers and between ministers), working papers, briefing documents and notes,

evidence submitted to government reviews, minutes of meetings, position and review papers, and notes for the record. The files examined were primarily, but not exclusively, from the following deposits held by the NA:

- AST Records of the Unemployment Assistance Board, Supplementary Benefits Commission and of related bodies:
  - Records of the Supplementary Benefits Commission (AST 36)
  - Family income support (AST 44)
- BN Department of Health and Social Security and related bodies:
  - Ministry of Health and Department of Health and Social Security: Private Office and senior officers' papers (BN 13)
  - Family benefits (BN 89)
  - Central Review Unit (BN 133)
  - Family support policy (BN 149)
- IR Board of Inland Revenue, Stamps and Taxes Division:
  - Registered files (IR 40)
- LAB Records of departments responsible for labour and employment matters and related bodies:
  - Department of Employment and predecessors: industrial relations, registered files (LAB 10)
  - Department of Employment, Incomes and Prices Division: registered files (LAB 112)
- MH Local Government Board and Ministry of Health: Poor Law Department and successors:
  - Public assistance (MH 57)
- PIN Ministry of Pensions and National Insurance and of related predecessor and successor bodies:
  - Unemployment Insurance Division, predecessors and successors: Labour Exchanges and Unemployment Insurance (PIN 7)
  - Committee on Social Insurance and Allied Services Committee (Beveridge Committee), correspondence (PIN 8)
  - Registered files (B series) (PIN 35)
  - Earnings related supplement (PIN 72)
- T HM Treasury:
  - Social Services Division (SS and 2SS series) files (T 227)
  - Domestic Economy Sector, Economic Adviser and Deputy Chief Economic Adviser: Domestic Economy Sector Economic Unit, Micro Economic Analysis, Micro Economics, Statistics and Operational Research and Deputy Chief Economic Adviser: Economics of Taxation Division (T 479).

At the two local archives it was administrative function, rather than keyword searches, which determined the files examined. In the case of the NRO, the focus was upon the minutes of meetings and correspondence between eighteen Boards of Guardians, and between them and the Ministry of Health and its inspector in

Norfolk. The study period was the two years between June 1922 and May 1924 so that two summer and winter periods were covered, with, in the case of the winter periods, one in which there was widespread discussion of the possibility of supplementing the wages of agricultural labourers with poor relief and one that did not involve such discussions. A total of thirty-five files (collection C/GP) were examined. In addition, three local newspapers – the *Eastern Daily Press*, the *Eastern Evening News* and the *Norfolk Chronicle* – were searched for reports of the business of board of guardians meetings for eight months (October 1922 to May 1923), which covered the period when there was discussion among Norfolk's rural guardians about possible wage supplementation.

Research at LRO involved examining documents from two of its collections – those relating to Lancashire's Public Assistance Committee (PAC) (primarily its CC/PAM and CC/PRM files) and those relating to the Amalgamated Weavers' Association (AWA) (collection DDX). Both raised with central government (the Ministry of Health and the Ministry of Labour respectively) the possibility of supplementing the wages of full-time employed cotton weavers with public assistance. Minutes of the PAC's meetings between its inception in 1929 and 1939, and those of its Central Relief Committee between 1932 and 1937, were examined. In the case of the AWA, because of good record keeping, there was fortunately a file which contained material on the possibility of supplementing the wages of cotton weavers with public assistance, including: correspondence; a circular requesting information about under-employment in cotton weaving, responses to it and their analysis; and notes from the meeting the AWA had at the Ministry of Labour. Further relevant files, for instance, concerned with the 'more looms' system and various wage negotiations, along with annual reports and reports from meetings of the General Council of the AWA for the period 1934 to 1937, were also studied. In all, thirty-nine files were examined at LRO. This was supplemented by searches of local newspapers – the *Chorley Guardian and Leyland Hundred Advertiser*, the *Lancashire Daily Post* and *The Nelson Leader* – for the period January 1935 to March 1936 for reports of the meetings of the Lancashire PAC, local relief committees and affiliates to the AWA.

### **Chapter outlines for *Social Security and Wage Poverty***

Chapter 2 examines wage supplements (allowances in aid of wages) which were often available to poorly paid labourers under poor relief. The chapter focuses upon the period between the 1790s and the Poor Law Amendment Act 1834 by examining critiques of such relief, rooted in classic political economy, in a number of official reports before the practice of supplementing wages for full-time wage workers was supposed to have been prohibited under the 1834 Act. Reasons for the continued use of wage supplements under the new poor law are then examined, with the chapter arguing that while criticisms of wage supplements were located in political economic and moral ideas, their continued use was not only a response to such concerns, but also to practical concerns related, for example, to the costs of providing poor relief, which framed the workings of Victorian poor relief.

Chapters 3 and 4 focus upon two episodes in the inter-war period in which there was debate between central government and local poor relief authorities about the possibility of the latter being allowed to pay wage supplements to wage working people in full-time work. Chapter 3 concentrates upon an episode in the early 1920s when rural poor law unions in Norfolk were invited to meet and discuss a county-wide approach to the treatment of the needs of agricultural labourers in full-time work. The idea caused alarm in the Ministry of Health, which interpreted it as a potential return to the best known, and most criticised, example of pre-1834 wage supplementation, the Speenhamland Scale. The chapter demonstrates the resistance of the Ministry of Health to any concessions to such a form of relief, while many boards of guardians continued to find ways of offering relief to destitute farm wage workers.

Chapter 4 examines a similar request made of the Ministries of Health and Labour in the mid-1930s for permission to supplement the wages of Lancashire's cotton weavers, many of whom while working full time, were not receiving full-time wages as they were tending less than a full complement of looms. These requests were made by the Amalgamated Weavers' Association (AWA) and Lancashire's PAC. The reasons why these two institutions thought it reasonable to supplement the wages of cotton industry workers (but not those of other wage workers) in full-time work are examined, as are the reasons why central government remained opposed to such a policy development. The chapter argues that the actions of the AWA and Lancashire's PAC pointed to future developments (respectively, a lessening of trade union resistance to wage supplements and a shift in the argument to focus upon the wage work incentive potential of wage supplements), while central government ministries continued to look backward to the alleged effects of the Speenhamland Scale.

Chapter 5 explores the introduction of FA in 1948. While FA was available to households with dependent children where the breadwinner was in or out of wage work, the chapter demonstrates how its introduction was linked to labour market issues and how FA was conceptualised as having the work incentive potential of a wage supplement. The chapter argues that while FA was located in a neoclassic economic orthodoxy, it subverted arguments about the potential effects of wage supplements. The chapter moves on to examine how the rediscovery of poverty in the 1960s provided the catalyst for a search for a policy that would act to address the fact that there was a significant number of households where the breadwinner was in full-time work, but whose income was below the rate of social assistance for wage workless people. The chapter concludes with the idea of the introduction of a means-tested wage supplement being rejected by the then Wilson Labour Party government.

Chapter 6 starts by examining the reasons why the introduction of a means-tested wage supplement was rejected in preference for a 'give and take' addition to FA. The chapter goes on to consider the reintroduction of means-tested wage supplements with the development of FIS under the 1970–74 Conservative Party government. In particular, the chapter examines how concerns with what is described in *Social Security and Wage Poverty* as the Speenhamland Scale myth

were addressed and how FIS subsequently became defined as being particularly problematic because of its potential to disincentivise wage work in the newly termed concept of the unemployment trap.

Chapter 7 examines the replacement of FIS with FC in 1988. The chapter argues that the origins of FC can be found in orthodox liberal economics which, through a report on unemployment by the CPRS, suggested that if there was to be a reduction in the mass unemployment facing Britain in the early 1980s concerted effort had to be taken to suppress wage expectations. The chapter examines how it was thought that what was to become FC might do this, and what other roles it might have, through the work of the Children and Young Persons Review (CYPR) of the Fowler Reviews of social security in the mid-1980s.

In Chapter 8 the focus is upon the replacement of FC with various tax credits introduced by 1997–2010 Labour Party governments. It starts by examining the development of wage supplements beyond FC by Conservative Party governments in the 1990s for particular constituents of wage workless claimants, notably, disabled people, lone mothers, and single and childless couples. The chapter goes on to examine the continuity of economic concerns which framed the development of tax credits, while acknowledging the addition of addressing child poverty as one of their aims. The reasons why the 1997–2010 Labour Party governments found it difficult to address child poverty through tax credits are also considered.

Universal credit is the focus of Chapter 9, which starts by exploring the ideology of the senior partner in Britain's 2010–15 Coalition in what is described as Civic Conservatism and the defining social policy feature – severe public sector spending retrenchment – of the Coalition. The chapter goes on to examine how the origins of UC can be understood in familiar themes in social security policy – the need for simplification and to bolster wage work incentives – in the context of a desire to support labour market flexibility, particularly mini-jobs. The consequence, the chapter suggests, was the erosion in poor relief and social security policy of the long-standing principle that there should be a clear distinction between people in and out of wage work. The extension of conditionality to people in less than full-time work is explained as a means of attempting to maintain such a distinction.

In Chapter 10 two potential alternatives – minimum and living wages – to addressing wage poverty are examined. The chapter explores histories of these two conceptualisations of wages and their contemporary manifestations. It argues that although a National Minimum Wage (NMW) was long-resisted by various elements, including trade unions and the Labour Party, of the Left, its introduction in the late 1990s by a labour government was a consequence of the weakening of collectivised forms of negotiating wages. In the case of the LW the chapter focuses upon the *Socialism in Our Time* programme of the Independent Labour Party (ILP) in the 1920s and upon more recent arguments for such a wage in the work of The East London Community Organisation (TELCO). Critical insights into both forms of wages are explored, with it being concluded that neither offer the potential to be an alternative to wage supplements as they are not closely enough related to household need.

Chapter 11 acknowledges that it is not just Britain that has had to grapple with the economic, moral and social dilemmas created by wage poverty. The chapter focuses upon two further liberal welfare regimes (New Zealand and the USA) and examines the historical development of wage supplements in both countries (from means-tested FA in the 1920s to tax credits in the first decade of the 21st century in New Zealand and the development of the Earned Income Tax Credit, EITC, in the 1970s in the USA). The chapter argues that while a concern with familial poverty was visible in the development of wage supplements in both countries, those concerns, as was the case in Britain, were often subordinated to broader economic concerns.

Chapter 12 concludes *Social Security and Wage Poverty* by examining its main themes. It argues that wage supplements are best understood as mechanisms that are concerned with a set of dilemmas created by the contradictory requirements of social policies demanded by capitalism. In this context, it is argued that wage supplements help to manage tensions in liberal market economies created by the relief of wage workless poverty, and the tensions between the requirements of capital for the social reproduction of labour power and its demand for constant growth and profit. The book closes by examining the ideas and potential impacts of the 2015 summer budget in Britain, suggesting that the continued retrenchment of benefits for wage workless people and wage supplements, and the introduction of a mislabelled 'national living wage', indicate that a brutal form of less eligibility is to incentivise the poorest of wage poor people to take wage work in the future.

Throughout *Social Security and Wage Poverty* there is a focus upon the political economy of wage supplements. An important element of this focus is the ways in which wage supplements are framed by gendered concerns with private and public patriarchy. The consideration of policy makers of gendered relations, particular in couple households, is focused upon as it has been an important factor in understanding the ways in which wage supplements have been conceptualised. At various points and for different groups of women wage supplements have been seen as both a means of incentivising them to do or disincentivising them from doing wage work and, as a consequence, as a means of renegotiating public, and reinforcing private, patriarchy.

# 2

## Wage Supplements and the New Poor Law

### Introduction

This chapter focuses upon debates about the supplementation of wages by parishes under the old poor law and is particularly concerned with the period between the 1790s and 1834. Recognising that critiques of wage supplementation existed before the 1790s, the chapter explores through parliamentary publications the pernicious effects that wage supplements (described as allowances in aid of wages) were held to have upon labourers and elites. The first section is concerned with wage supplementation under the auspices of the old poor law and focuses upon the Speenhamland Scale as an example of allowances in aid of wages. The second section examines what Poynter (1969) describes as the ‘cult of severity’ towards the poor law in the post-Napoleonic War period. It focuses upon the alleged effects allowances in aid of wages were held to have through an examination of three parliamentary committees reports published between 1817 and 1828. It demonstrates that the concerns outlined in the 1834 Royal Commission report on the poor laws had been well rehearsed before its now infamous publication. The section shows how allowances in aid of wages were problematised through a use of subsistence wage theory and through concerns with what noetics might have described as the ‘virtue fund’.

The third section focuses upon the place of allowances in aid of wages in the 1834 report of the Royal Commission on the poor laws and the effects that they were held to have upon both labourers and employers. Its critique of allowances in aid of wages is located in the argument that there was a need to re-establish the distinction between the indigent and the independent if a ‘natural’ state of affairs was to be returned to rural areas. The fourth section examines how this was to happen through the 1834 Poor Law Amendment Act, which was supposed to have abolished both outdoor relief and allowances in aid of wages in particular. However, the section demonstrates that for various reasons allowances in aid of wages continued after the introduction of the 1834 Act. The chapter concludes that it was abstract political economic and moral arguments that condemned allowances in aid of wages, rather than their practice, which provided poor law administrators at a local level an economically cheap and morally preferable means of relieving economic distress.

*Social Security and Wage Poverty* though, argues that the 19th century condemnation of wage supplements continues to help frame social security policy.

### **Elizabethan poor law and wage supplementation**

It was not until the development of quasi-capitalist markets in Britain, which reflected and helped constitute the shift away from feudalism, that the state took on at least some role for tackling poverty that was a consequence of inadequate wages, rather than no wages. Previously, the manorial system and religious organisations had responsibility, or had taken responsibility, for the relief of poverty. While the Elizabethan Poor Law Act 1601 is often taken as the starting point for relief of poverty in Britain, a case can also be made for this honour to go to the 1349 and 1350 Statute of Labourers (Quigley, 1996). These statutes were primarily aimed at regulating wage levels (holding them down to levels before the Black Death of 1348–49) and regulating the availability of poverty relief to non-working poor people (for example, in relation to restricting almsgiving and begging – Chambliss, 1964). Indeed, evidence suggests that wage supplementation existed before the introduction of the Elizabethan poor law. Slack (1988, p. 83), for instance, notes that in the 16th century the ‘approved alternative to begging was the weekly dole, financed by the poor rate’, which, he argues, ‘[f]rom the beginning ... provided supplementation for inadequate wages’.

It was, however, under what Poynter (1969, p. xx) describes as the ‘three injunctions of the Elizabethan Poor Law’ that wage supplementation spread during the 18th century. The Elizabethan Poor Law ‘bade each parish to relieve the impotent, employ the able-bodied, and “correct” the wilfully idle’. As there was no central direction in terms of how poor relief should be organised and administered, Poynter (1969, p. xx) argues that the ‘three injunctions’ were ‘interpreted, obeyed, or neglected in a bewildering variety of local circumstances’ (see, for example, King, 1997, 2011).

Such observations are not surprising given that: first, local custom and tradition influenced poor relief; second, the money paid for relief had to be raised via a locally charged poor rate; and third, many people had, at least at some point in their lives, to avail themselves of poor relief (c.f. Knott, 1986). This is particularly so in the case of poverty caused by low wages or under-employment because, as Quigley (1996, p. 75) argues of feudal times, ‘work and poverty went hand in hand’. Even as the last vestiges of feudalism were being laid to rest and industrial capitalism was in the ascendancy work and poverty continued to be closely related. By the end of the 18th century allowances in aid of wages – the supplementation of low wages and under-employment through poor relief – had become familiar in both rural southern and some parts of industrialising northern Britain (Boyson, 1960; Knott, 1986). In its apparent spread wage supplementation had also become a concern for a range of institutions and actors with various interests in it – for example, parishes that had to raise the rates to pay for such forms of relief and, from the later decades of the 18th century, an emerging group of political economists who had more abstract concerns with relationships between

the individual, state and society (for example, Bentham, 1798; Malthus, 1989; Ricardo, 1817; for analysis, Poynter, 1969; Cowherd, 1977; Himmelfarb, 1984). Their ideas fundamentally questioned poor relief, and the supplementation of wages in particular, and they were repeated by a host of lesser known economic and social commentators (for instance, Sumner, 1816; Bicheno, 1817; Davison, 1817; Fellowes, 1817).

Policy concerns with relationships between poor relief and low wages, primarily in the context of large families, were most acute in the late 18th century when, at a national level, the Quaker brewer, Samuel Whitbread, introduced to parliament in 1796 a bill that would have introduced a minimum wage. The bill was defeated, but not before the then Prime Minister, William Pitt, had expressed his support for the idea of paying poor relief to people in wage work. In what Macnicol (1980, p. 3) describes as a 'remarkable passage which presaged twentieth-century thinking', Pitt argued in parliament that:

where there are a large number of children [relief should be] a matter of right and honour, instead of opprobrium and contempt. This will make the large family a blessing, and not a curse; and thus will draw a proper line of distinction between those who are able to provide for themselves by their labour, and those who, after having enriched their country with a large number of children, have a claim on its assistance for their support. (House of Commons Sessional Paper, 1796, col. 709–710)

It could, however, be argued that Pitt was merely suggesting what was already occurring in many areas. Pitt's suggestion for relief paid to people in work was a consequence not only of his objection to minimum wage regulation,<sup>1</sup> but also his support for the sentiment of Whitbread's idea – a need for financial support for the poorest people in work. Macnicol (1980, p. 4) argues that it is difficult to know 'how serious were Pitt's intentions', although in 1796 Pitt did introduce a poor law reform bill to parliament that reflected his concern with familial poverty caused by low wages. Cowherd (1977, p. 14) notes that the bill 'attempted so much that it aroused opposition in many quarters'. In light of this opposition Pitt withdrew the bill, although Cowherd (1977) argues that elements of his ideas were introduced by later governments.

The year before the Whitbread bill was discussed in parliament (in May 1795), magistrates met at the Pelican Inn in the Berkshire parish of Speenhamland. At that meeting the magistrates agreed a sliding scale of poor relief that would be paid to labourers whether or not they were in paid work. The now (in)famous scale noted that when a gallon loaf of bread cost one shilling:

every Poor and Industrious Man should have for his own Support 3s weekly, either produced by his or his Family's Labour, or an Allowance from the Poor rates, and for the support of wife and every other of his Family, 1s 6d. ... When the Gallon loaf shall cost 1s 4d then every Poor and Industrious Man shall have 4s Weekly for his own, and 1s and 10d for the Support of every other his

Family. And so on in proportion as the price of bread rises or falls. (cited in Grover and Stewart, 2002, p. 124)

Hence, a minimum income for labourers was formally linked to the price of bread and the size of family that would be supplemented by the parish, if the relevant amount could not be earned through wages.

The magistrates who met at the Pelican Inn in 1795 had originally intended to regulate wages, 'having respect to the plenty and scarcity of the time, and other circumstances (if approved of) [to] proceed to limit, direct, and appoint the wages of day labourers' (*Reading Mercury*, 20 April 1795). The proceedings of the meeting on 6 May 1795 do not record why the setting of a minimum wage was rejected and a sliding scale of poor relief introduced instead. While it is clear that a sliding scale had been under discussion among Berkshire magistrates for a number of years, for Neuman (1969, 1982) the presence of the magistrate, the Reverend Edward Wilson, was important. Neuman (1982, p. 81) notes how in October 1795 Wilson published his *Observation on the Present State of the Poor and Measures Proposed for its Improvement* in which he quotes the ideas of Adam Smith in that: 'Experience shows that the law can never properly regulate wages.' Neuman (*ibid.*, p. 82) argues that it is possible that Wilson's arguments 'deflected the other justices from their original intention of fixing wages'. Meanwhile, Cranston (1985) suggests that there may have been a legal reason why the Berkshire magistrates did not regulate wages – that it was unclear in the late 18th century whether magistrates had the power to set minimum, rather than maximum, wages.

The danger, however, of focusing upon individuals – for example, Wilson – is that historical change becomes a history of (most frequently male) elite individuals (Carr, 1961). Such an approach is problematic because it disguises the wider socio-economic reasons for change. In this context, and citing Pretzman (1878), Bahmueller (1981, p. 33) notes that what he describes as the 'crisis of 1795' was a consequence of 'a double panic of famine and revolution'. Bahmueller (1981) focuses upon short-term factors such as a concern among the middle and upper classes with the demands of the labouring classes for political reform and their complaints about increasing food prices as a consequence of the harsh 1794–5 winter. He is right to point to such factors, to which might be added the effects of the Napoleonic Wars (1793–1815) on the real wages of agricultural labourers (see Hobsbawm and Rudé, 1969) but these occurred within longer-term socio-economic change that also put pressure upon the living standards of rural labourers. These included population growth, the erosion of opportunities in cottage industries due to industrialisation in northern Britain and the increasing rapidity of the enclosure movement (Deane, 1965; Mathias, 1969; Hobsbawm and Rudé, 1969; Wrigley and Schofield, 1981; Boyer, 1990; Wood, 1991). The cumulative effect of these factors was chronic unemployment and under-employment, particularly in the rural south, and stagnant real wages (Hammond and Hammond, 1920; Thompson, 1963; Deane, 1965; Mathias, 1969; Malcolmson, 1981; Evans, 1983; Boyer, 1990; Wood, 1991).

Owing to its appearance in several important analyses of pre-1834 poor relief (for example, Eden, 1797; Webb and Webb, 1929; Polanyi, 1957; originally 1944), one could be forgiven for assuming that the Speenhamland Scale was the first and, at the time, a unique approach to the problem of low pay and under-employment. Neither, however, is correct. Allowances in aid of wages had been a familiar part of poor relief in the 18th century and it has been argued that the Speenhamland scale of relief ‘merely systematised a practice which, because it was becoming widespread, needed to be conducted on some regular plan’ (Fay, 1928, p. 339; see also Neuman, 1969; Oxley, 1974).

However, because the Speenhamland Scale was not unique in supplementing the wages of labourers with poor relief it is not adequate to explain allowances in aid of wages as a palliative required because of the Napoleonic War and the distress of the late 18th century, as Dorothy Marshall (1926) hints. Marshall (*ibid.*, p. 104) argues that by the time the Speenhamland Scale was introduced allowances in aid of wages had been around for at least a century and that it ‘is difficult... to know why it [the supplementation of wages] rose, for it was not contained in the provisions of any statute’, a point that was made in what Neuman (1963) claims was the first critique<sup>2</sup> of allowances in aid of wages (the report of the Select Committee on the Poor Laws, 1817, p. 16). Marshall goes on to note (1926, p. 105) that the explanation for allowances in aid of wages can be ‘found in the low wages that ruled for married labourers in many parts of the country’.

Oxley’s (1974) interpretation of the Speenhamland Scale and the more general payment of allowances in aid of wages suggests that the mid-1790s and after were qualitatively different to previous years. He notes, for example, that 1795 ‘heralded a permanent change in the pattern of poor relief’ (*ibid.*, p. 113). Essentially, his argument is that while the old poor law had proved to be adaptable, its adaptability was in the context of a principle that any relief for the able-bodied should only ever be temporary. ‘[W]age subsidies’, Oxley argues (1974, p. 111), ‘were regarded as temporary, payable until a man found work [in the case of the Roundsman system], until his wages rose or his family responsibilities lessened or until seasonal or economic change brought about improved employment prospects’. What made the mid-1790s different, Oxley argues, was that, for the reasons outlined above regarding poor harvests, changing economic conditions and so forth, that ‘the temporary crisis of 1795 became a permanent crisis and temporary measures then adopted became a permanent feature of poor relief’ (*ibid.*, p. 113). This account though, is challenged by, for instance, Williams (2011, p. 102) who argues that ‘the secondary literature assumes the widespread allocation of relief to families headed by a married couple from 1795, [but] such assistance was in fact far more sporadic and limited’.

Whether paid for long or short periods of time, whether widespread or not, the Speenhamland Scale became, even in the late 18th century (see, for example, Eden, 1797), a watchword for abuse, profligacy and moral degeneracy. Block and Somers (2003) argue that there were two competing understandings of the Speenhamland Scale that were nevertheless equally devastating in their critique of it. On the one hand, it was argued to lead to: ‘Exponential increases in childbirth

and illegitimacy, declining wages and productivity, assaults on public morality and personal responsibility, and the development of a culture of indolence were only some of the effects attributed to Speenhamland.' (*ibid.*, p. 287) This version of the effects of the Speenhamland Scale, and wage supplementation more generally, has been used primarily, although not exclusively, by the political right to criticise such forms of poverty relief and social security policy more generally (for example, see the comments of Enoch Powell in Chapter 6 in this volume, Block and Somers, 2003 on American neo-conservative versions of such arguments).

On the other hand, Block and Somers (2003) point also to 'Leftist critics' of the Speenhamland Scale. They cite (*ibid.*, p. 289), for example, Engels' (1958, originally 1845), *The Condition of the Working Class in England*:

As long as the old Poor Law survived it was possible to supplement the low wages of the farm labourers from the rates. This, however, inevitably led to further wage reductions since the farmers naturally wanted as much as possible of the cost of maintaining their workers to be borne by the Poor Law. The burden of the poor rates would, in any case, have increased with the rise in population. The policy of supplementing agricultural wages, of course, greatly aggravated the position.

While, as we shall see, these alleged effects of the Speenhamland Scale, were visible in the 1834 Royal Commission on the Poor Law report, they had also been pointed to in various parliamentary enquiries in a period of poor law history known variously as the 'cult of severity' (Neuman, 1972, p. 115) and the 'climax of abolition' (Poynter, 1969, chapter 6) before the work of the 1832–4 poor law Royal Commission.

### **The old poor law and the cult of severity**

The cult of severity towards the old poor law came in the period immediately after the Napoleonic Wars when the increasing cost<sup>3</sup> of poor relief was condemned as 'promoting idleness, improvidence and degradation' (Knott, 1986, p. 31) and in which Poynter (1969, p. 224) notes that 'while defence of the Poor Law became, if not quite heretical, at least old fashioned'. In this section we focus upon such ideas expressed in a number of parliamentary reports published between 1817 and 1828 (Select Committee on the Poor Laws, 1817, Select Committee on Labourers Wages, 1824, Select Committee on that Part of the Poor Laws Relating to the Employment or Relief of Able-bodied Persons from the Poor Rate, 1828). These reports were informed by various ideas, including Benthamism, Malthusianism, Eden's interpretation of Adam Smith, and Ricardian economics, which had in common an intellectual dislike of wage supplements paid via poor relief.

#### **1817 Select Committee on the Poor Laws**

Poynter (1969, p. 245) argues that the 'baldest and most dogmatic summary' of the case to abolish the poor law 'came not from the pen of any political economist

but from a Select Committee of the House of Commons'. This was the Select Committee on the Poor Laws, which operated for four months in 1817. It was the consequence of Whig MP John Christian Curwen's concern with the deleterious effects the poor law was supposed to be having on the labouring poor (Grover, 2011b). In brief, Curwen believed that, compared to the Irish peasantry, English peasants were less likely to express their social affections due to the operation of the poor laws which, he argued, destroyed 'all the best and most kindly feelings of the heart', replacing them with feelings of envy and jealousy (Parliamentary Debates, 1817, col. 510).

The Select Committee was chaired by Tory MP William Sturges Bourne, who was to become one of the commissioners reporting on poverty relief in the report of the Royal Commission on the Poor Laws in 1834, and also included Thomas Frankland Lewis, who it is widely believed wrote the 1817 committee's report and who was later to become the first Chair of the Poor Law Commission (Poynter, 1969; Cowherd, 1977). Various claims have been made about the intellectual influences which shaped the 1817 Select Committee report. Some (for instance, Cowherd, 1977; Clark, 2000) suggest Malthusian influences were visible, while Mandler (1990a, p. 93) notes that because Sturges Bourne and Thomas Frankland Lewis 'shared intellectual roots with the Noetics', the influences of Edmund Burke and John Bird Sumner (later, a member of the 1832–4 Royal Commission on the Poor Laws) were also present. In addition, Cowherd (1977) argues the ideas of Joseph Townsend (1971, originally 1786), whose *A Dissertation on the Poor Laws* argued that the poor law 'demoralised both rich and poor' (Poynter, 1969, p. 40) were also visible. Perhaps with the exception of Townsend (see Poynter, 1969), these influences pointed towards the abolition of the poor law.

The intellectual influences of the committee's ideas, therefore, are complex, particularly when it is considered that the committee recommended amending the poor law, rather than abolishing it. This is demonstrated in the amendments in both scope (as, for example, in the proposed introduction of working schools) and character (for instance, the suggestion of a deterrent workhouse), had resonance with the ideas of Jeremy Bentham (see Himmelfarb, 1984; Zagday, 1948). Mandler (1987, 1990a, 1990b), however, notes that through their Christian political economy the noetics reached a position on poor law reform that was similar to Bentham's idea of 'less eligibility'. The difference was that whereas Benthamites were concerned with relationships between poor relief and the wages fund, noetics were concerned with relationships to the virtue fund.

#### *The wages fund, subsistence wage theory and allowances in aid of wages*

The premise of wages fund theory was that the amount of money in an economy is finite and, if used for one purpose (for example, paying to support poor people) it could not be used for another, such as paying wages to people in work. The implication was that over the longer-term poor relief was harmful to wage working people because it limited the amount of wage work available and the wages paid for it. Webb and Webb (1929a, p. 23) later noted that wages fund theory suggested

poor relief '[robbed] industrious Peter for the benefit of idle Paul', while the Select Committee on the Poor Laws (1817, p. 17) noted:

An increased demand for labour is the only means by which the wages of labour can ever be raised; and there is nothing which can increase the demand, but the increase of the wealth by which labour is supported; if therefore the compulsory application of any part of this wealth, tends (as it always must tend) to employ the portion it distributes less profitably than it would have been, if left to the interested superintendence of its owners, it cannot fail by thus diminishing the funds which would otherwise have been applicable to the maintenance of labour, to place the whole body of labourers in a worse situation than that in which they would otherwise have been placed.

The 1817 Select Committee's use of wages fund theory suggested that, as an interference with free markets, poor relief would result in the immiseration of both labourers and the creators of wealth. While the committee's use of wages fund theory provided an overarching justification for restricting, if not abolishing, poor relief, it also highlighted how wages could be understood in subsistence terms:

If the demand for labour increases faster than the supply, high wages are the natural results; labourers are enabled to provide better for their children, a larger proportion of those born are reared; the burthen, too, of a large family is rendered lighter; and in this manner the marriage and multiplication of labourers are encouraged, and an increasing supply is enabled to follow an increased demand. If, on the contrary, the waste and diminution of wealth should reduce the demand for labour, wages must inevitably fall, and the comforts of the labourer will be diminished, the marriage and multiplication discouraged until the supply is gradually adapted to the reduced demand. (*ibid.*, pp. 17–18)

For the 1817 Select Committee on the Poor Laws the problem was that allowances in aid of wages undermined the relationship between wages, marriage and procreation that was central to subsistence notions of wages.

#### *The virtue fund*

For the noetics, virtue explained the economic and social inequalities of early modern England. They believed, as Mandler (1990a, p. 88) notes, in 'rule by the virtuous – that is, the wealthy – who were best able to monitor and foster the progress of morality'. The linkage of wealth to virtue was central to noetic ideas, because virtue was held, not only to be 'the great objective for our existence on earth' (Sumner, 1816, cited in Mandler, 1990a, p. 87), but also the means through which economic rewards were distributed. Mandler (*ibid.*) summarises the noetic position thus: 'presence of scarcity drives humans to exercise virtues such as prudence and industry, which leads to a division of property and

ultimately a division of ranks, according to unequal exertions'. Hence, for the noetics economic inequality was the consequence of differences in the level of virtuous effort. In this framework poor relief was held to be problematic because of its potential to undermine the natural state of subsistence which individuals could only escape by 'heed[ing] the call of duty and demonstrat[ing] the virtues of industry and prudence' (*ibid.*, p. 89). Reflecting this, the Select Committee on the Poor Laws (1817, p. 16) argued that the practice of parishes paying allowances in aid of wages 'by placing the idle and industrious upon an equal footing, must necessarily destroy every human motive to exertion'.

### *Fixing poor relief*

The 1817 Select Committee report may be thought of as the prime example of the case for abolition of the poor law but the committee did not recommend its abolition for various reasons, including a fear of the revolutionary potential of such a course of action (Poynter, 1969; Brundage, 1978) and 'political paralysis' (Mandler, 1987, p. 147). It did suggest (Select Committee on the Poor Laws, 1817, p. 10): the need for a 'better system' of poor relief with a strong sense of deterrence, including the abolition of poor relief for able-bodied people, unless delivered via the workhouse; the introduction of 'working schools' for children aged three to fourteen years; and, for those whose need was deemed to be the consequence of 'having squandered away earnings that would have afforded ample means for the support of family', loans 'to be repaid by instalments' (*ibid.*, p. 23).

No longer would parishes be allowed to award allowances in aid of wages. Instead, the able-bodied would have to enter the workhouse for their relief, while loans 'denot[ed] that the responsibility of the subsistence of poor people and their families lay with those people themselves and not the parish' (Grover, 2011b, p. 33). Moreover, because the committee (Select Committee on the Poor Laws, 1817, p. 14) felt that 'a man and his wife in health may be able, by their ordinary labour, to maintain themselves and two children' it was suggested that working schools should remove all but two children from income poor families. As Cowherd (1977, p. 59) suggests, the 'committee expected much from these pauper schools'. Their benefits were held to include abolishing the need for allowances in aid of wages, addressing the 'loose and idle way' in which it was believed the children of the labouring poor were raised (Select Committee on the Poor Laws, 1817, p. 15), freeing mothers to engage in paid work and preventing fathers from spending their relief at the alehouse (*ibid.*, p. 14; see also Clark, 2000).

### **1824 Select Committee on Labourers Wages**

The 1824 Select Committee on Labourers Wages was appointed 'to inquire into the practice which prevails in some parts of the Country, of paying the Wages of Labour out of the Poor Rates, and what Measures can be carried into execution, for the purpose of altering that practice' (Select Committee on Labourers Wages, 1824, p. 3). It was the consequence of pressure from what Cowherd (1977, p. 137) describes as 'radicals', essentially tory liberals who, as followers of Ricardian political economy, 'insisted that the Poor Laws not only created unemployment but

also prevented wages from rising to their natural level'. It took evidence from thirteen witnesses and collected survey evidence from magistrates and other officials from 358 locations across England (Cowherd, 1977).

In many senses, the Select Committee on Labourers Wages' report was a restatement of the arguments made in the 1817 Select Committee on the Poor Laws report discussed above. It condemned both the roundsman system (whereby the able-bodied workless were sent to farmers to work, but received some or all of their 'wages' from the parish, rather than their employer) and allowances in aid of wages. In the case of the roundsman system the problem was that 'by an abuse, which is almost inevitable, it has been converted into a means of obliging the parish to pay for labour, which ought to have been hired and paid for by private persons' (*ibid.*, p. 3). Once again drawing upon wages fund theory, the consequence was that the farmer, faced with having to pay wages *and* poor rates to fund those people in parish work, 'naturally endeavours to economize, by discharging those labourers of whom he has the least need, and relying upon the supply furnished by the parish for work, hitherto performed entirely at his own cost' (*ibid.*). This meant that the 'steady hard-working labourer, employed by agreement with his master, is converted into the degraded and inefficient pensioner of the parish' (*ibid.*).

The committee, however, reported that such a system of relief was not as common as 'paying an allowance to labourers for the maintenance of their children'. The committee argued that there were four main consequences of such allowances in aid of wages. First, they were held to introduce economic inefficiencies by creating 'a disinclination to work... He whose subsistence is secure without work, and who cannot obtain more than a mere sufficiency by the hardest work, will naturally be an idle and careless labourer.' (*ibid.*, p. 4) Second, allowances in aid of wages meant that poor relief rate payers who had no need for such labourers 'are obliged to the payment of work done for others' (*ibid.*). Third, and drawing upon subsistence wage theory, allowances in aid of wages were held to encourage:

A surplus population... men who receive but a small pittance know that they have only to marry, and that pittance will be augmented in proportion to the number of children. Hence, the supply of labour is by no means regulated by the demand, and parishes are burdened with thirty, forty, and fifty labourers, for whom they can find no employment and who serve to depress the situation of all their fellow-labourers in the same parish. (*ibid.*)

The committee reported that 'by far the worst consequence' of allowances in aid of wages was 'the degradation of the character of the labouring class' (*ibid.*). It argued that there were essentially two reasons why people worked: to better their own circumstances and those of their families; and 'the fear of punishment' (*ibid.*). The first of these, the report goes on, 'produced industry, frugality, sobriety, family affection, and puts the labouring class in a friendly relation with the rest of the community; the other causes, as certainly, idleness, imprudence,

vice, dissension, and places the master and the labourer in a perpetual state of jealousy and mistrust' (*ibid.*). The problem was that allowances in aid of wages tended 'to supersede the former of these principles, and introduce the latter' (*ibid.*) because they extended subsistence 'to all; to the idle and the industrious; to the profligate as well as the sober; and, as far as human interests are concerned, all inducement to obtain a good character is taken away' (*ibid.*). The consequence was social and moral degradation, for example, slovenliness, familial neglect, employment and general discontent, and increased crime. 'Parts of the country', it was noted, 'where this system prevails are, in spite of our goals and our laws, filled with poachers and thieves.' (*ibid.*)

Despite the dire warnings, the Select Committee on Labourers Wages reported that the 'evil of which we complain is partial, and that many counties in England are nearly, if not totally, exempt from the grievance' (*ibid.*, p. 5) and placed the blame on the lax administration of the poor laws in those areas where allowances in aid of wages predominated. The solution to the problems with allowances in aid of wages perceived by the committee was 'if possible to separate the maintenance of the unemployed from the wages of the employed labourer; to divide the two classes, which have been confounded; to leave the employed labourer in possession of wages sufficient to maintain his family; and to oblige the rest to work for the parish in the way most likely to prevent idleness' (*ibid.*, p. 6). It also recommended, albeit more circumspectly than the 1817 Select Committee on the Poor Laws, that where in cases of:

disinclination to work, parents earn less than they might do, in order to draw from the parish fund, it might be found highly useful that the parish officers with the consent of the Magistrates, should, instead of giving money to the parents, set to work their children, who would, at the same time, be removed from the example, of idle and dissolute parents. (*ibid.*, p. 7)

The danger with such a course of action was that even the most industrious labourers might not be able to 'bring up their children without parish assistance' (*ibid.*). Furthermore, while rejecting the suggestion that allowing relief to able-bodied people where their children could not work, the committee did suggest that in cases 'where wages have been reduced, with a view to supply the deficiency from the parish rates, relief might be refused to any person actually in the employment of an individual' (*ibid.*, p. 7).

### **Select Committee on the Able-bodied**

Many of the concerns of the Select Committee on Labourers Wages were revisited four years later in the report of the Select Committee on that Part of the Poor Laws Relating to the Employment or Relief of Able-bodied Persons from the Poor Rate (1828, hereafter referred to as the 1828 Select Committee on the Able-bodied). In particular, it repeated the 1824 committee's assertions about the consequences of the payment of allowances in aid of wages in terms of them encouraging improvident marriages and, as a consequence, a surplus population, and the degradation

of the character of poor people. The problem, for the 1828 Select Committee on the Able-bodied, was that there was a surplus of the supply of labour over demand. It found 'redundancy' of between a fifth and a twelfth of the number of able-bodied labourers in parishes. The impact of this surplus labour was that 'wages are very low; as the labourers exceeding in number the demand for their services, undersell each other in the market for employment, and being under paid, become degraded, go to the parish rate as a matter of course, and lose the hope of improving their condition by their own efforts' (*ibid.*, p. 6).

In simple supply and demand economics the cause of low wages was redundancy, but it was reinforced by the payment of allowances in aid of wages. A vicious circle existed. Unemployment caused low wages that 'give rise to the practice of allowance, and the system of allowances re-acts to keep the wages low' (*ibid.*). For the 1828 Select Committee the solution was to make it illegal for parishes to 'make or pay to any labourer or person engaged or employed in any work allowances or relief whatever, on account of himself, herself, or his or her family, in addition to the wages or emoluments earned from such work or employment' (*ibid.*, p. 9).<sup>4</sup>

The consequence of this law would be, in the short-term at least, to increase the number of larger families that would be wholly a charge upon the parish. This was preferable though, the committee argued, to supplementing wages with poor relief because it would help to reduce the economic effect of the surplus population by reducing the amount of available labour. As a result the wage rates of those people left in wage work would increase. Those labourers with large families who were not in paid work would be employed by the parish until such time that their own efforts, or theirs combined with the efforts of their children once they were old enough, meant that they could sustain their family with independent labour. This was essentially a deterrent approach that would incentivise independent labourers to remain so. Accepting parish assistance, the committee argued, meant the independent would 'become parish workmen, and controlled by Overseers', the consequence of which was that they would 'use the utmost exertions of their industry and care to avoid being obliged to have recourse to such an expedient' (*ibid.*, p. 9). Hence, not only would the abolition of allowances in aid of wages have desirable economic affects by replenishing the wages fund, it would also replenish the virtue fund.

In this section we have examined various parliamentary committee reports that, among other things, focused upon the alleged pernicious effects of the Old Poor Law. The committees' findings were essentially reformist in approach. While, as we have seen, the 1817 Select Committee on the Poor Laws may have outlined a powerful case for the abolition of the poor laws, its 'leading figures, William Sturges Bourne and Thomas Frankland Lewis, allied themselves not with the abolitionists, but rather with parish reformers' (Eastwood, 1994, p. 107). The resulting 1818 and 1819 Sturges Bourne Acts<sup>5</sup> were designed to strengthen parishes as drivers of poor relief reform by, for example, shifting the balance of power to larger rate payers as it was felt that smaller rate payers were more likely to support more generous levels and

forms of relief. Eastwood (*ibid.*) notes, however, that in parishes where allowances in aid of wages existed 'it was precisely these larger ratepayers who, as the major employers, were principal beneficiaries'.

Despite accusations in 1821 that a bill introduced to parliament by Whig MP James Scarlett to cap expenditure on the poor law and to deny the able-bodied unemployed relief was an attempt to abolish the poor laws 'by the back door' (Eastwood, 1994, p. 108; see also Poynter, 1969, pp. 296–7), the abolition case waned in the 1820s. The issue then became not if, but how, the poor law should be reformed. However, the basis of debate about poor law reform had shifted from the parochial focus of the Sturges Bourne Acts to 'more sweeping structural innovations' (Eastwood, 1994, p. 110). The efficacy of local administration of poor relief was questioned in the 1820s, particularly in the Select Committee reports on labourers wages and the relief of the able-bodied, and was seen as failing in the late 1820s as a consequence of the increasing costs of poor relief, a feeling that was reinforced by the outbreak of the Swing Riots of 1830–31. Not only was the cost of poor relief increasing, but it no longer seemingly bought the deference of the labouring poor. Williams (2011, p. 99), for instance, notes that the Swing Riots were 'the final nail in the coffin of the old poor law, signifying as they did a breakdown in social relations in wide swathes of the countryside'. The Swing Riots were the catalyst for the 1832–4 Royal Commission on the Poor Laws, the consequence of which was supposed to be the abolition of allowances in aid of wages.

### **1832–4 Royal Commission on the poor laws and allowances in aid of wages**

In 1832 a Royal Commission (rather than a parliamentary committee) was appointed 'to make a diligent and full inquiry into the practical operation of the Laws for the relief of the Poor in England and Wales' (Checkland and Checkland, 1974, p. 67). The Commission's report, published in 1834, has been described not only as 'one of the classic documents of western social history' (Checkland and Checkland, 1974, p. 9), but also as 'wildly unhistorical' (Tawney, 1980, originally 1926, p. 269). It is accepted that the Royal Commission collected data to support its *a priori* assumptions about the pernicious effects of extant poor relief policies. It also demonstrated a good deal of continuity in analysis and tone with the parliamentary committees that had reported in the decade between 1817 and 1828. These observations should not be surprising given a membership of the committee that included John Bird Sumner (then Bishop of Chester and later Archbishop of Canterbury), Nassau Senior, William Sturges Bourne and Edwin Chadwick, former Secretary to Jeremy Bentham.<sup>6</sup>

#### **Allowances in aid of wages**

We have seen that the Speenhamland Scale was not the first or unique allowance in aid of a wage system. It was also not the last. The 1834 poor law report, for example, reproduced five such systems, all in southern England, that were

introduced in the decade between 1821 and 1830, a period in which bread scales, such as the Speenhamland Scale, were being abandoned (Blaug 1963) and which were only ever 'temporary expedients in response to high prices' (Williams, 2011, p. 62). It is instructive, for example, that evidence to the Royal Commission on the Poor Law in 1832 suggested that 'Speenhamland did not exist in Speen' (Cowherd, 1977, p. 263).

The commissioners argued that allowances in aid of wages (what they described as allowances: 'all parochial relief afforded to those who are employed by individuals at the average wage of the district', Checkland and Checkland, 1974, p. 90) had a detrimental impact upon both labourers and their employers.

### *Demoralising labourers*

In their analysis of the effects of allowances in aid of wages on labourers the Royal Commission repeated many of the claims made in the various parliamentary reports discussed above. Drawing upon a combination of subsistence wage theory and concerns with the morality and character of the labouring poor (described above as the virtue fund), the Commission argued that allowances in aid of wages eroded:

the ordinary laws of nature; to enact that the children shall not suffer for the misconduct of their parents, the wife for that of the husband, or the husband for that of the wife: that no one shall lose the means of comfortable subsistence, whatever be his indolence, prodigality, or vice; in short, that the penalty which, after all, must be paid by someone for idleness and improvidence, is to fall, not on the guilty person or on his family but on proprietors of the lands and houses encumbered by settlement. (*ibid.*, p. 135)

The consequence was argued to be 'a system which aims its allurements at all the weakest parts of our nature – which offers marriage to the young, security to the anxious, ease to the lazy, and impunity to the profligate' (*ibid.*).

The main problem for the commissioners was that wages supplemented by parish funds meant that because 'subsistence does not depend on [the labourer's] exertions, he loses all that sweetens labour, its association with reward' (Checkland and Checkland, 1974, p. 167). The commissioners questioned, for example:

has the man who is to receive 10s. every Saturday, not because 10s. is the value of his week's labour, but because his family consists of five persons, who knows that his income will be increased by nothing but by an increase of his family, that it has no reference to his skill, his honesty, or his diligence – what motive has he to acquire or to preserve any of these merits? (Checkland and Checkland, 1974, p. 145)

The consequence was that allowances in aid of wages 'makes [men] idle, lazy, fraudulent and worthless' (Checkland and Checkland, 1974, p. 146).

### *Demoralising employers*

The commissioners believed that employers deliberately reduced their wages in the knowledge that the parish would make up the difference. They noted:

The employers of paupers are attached to a system which enables them to dismiss and resume their labourers according to their daily or even hourly want of them, to reduce wages to a minimum, or even below a minimum of what will support an unmarried man, and to throw upon others the payment of a part, frequently of the greater part, and sometimes almost the whole of the wages actually received by the labourers. (Checkland and Checkland, 1974, p. 135)

As has been noted elsewhere (Grover and Stewart, 2002) the concerns of the commissioners in this context might be understood in various ways. A moral objection, for example, to the use of money raised for relieving the distress of paupers for employers' commercial advantage and, in doing so, subverting the 'natural' state of subsistence wages. And an economic objection to allowances in aid of wages being used as a means of exploiting the hourly and daily needs for labour, which regular (unsupplemented) employment did not. This gave an advantage to the employer who could do that. Whatever the reasons for the objection, it is important for our purposes that the commissioners essentially argued that allowances in aid of wages inhibited naturally determined forms of employment that would provide subsistence wages to labourers. What would be described as flexibility in contemporary labour market discourse, would only have been acceptable in the 1830s had it been the consequence of freely operating markets, but it was unacceptable when it was the consequence of institutional interferences (poor relief) with them.

The Poor Law Commission's main concern was that the payment of allowances in aid of wages demoralised working poor people so that they became morally and socially akin to the pauper or indigent. In brief, the distinction between the independent and the indigent was thought to be removed, leading to mass pauperisation, the economic and social consequences of which could only be to the detriment of both elite and masses. The reintroduction of the distinction between the independent and the indigent was supposed to come through the legislative consequence – the Poor Law Amendment Act 1834 – of the Royal Commission's report.

### **The Poor Law Amendment Act 1834 and allowances in aid of wages**

If the poor laws were to return the countryside to a natural economic and moral state of affairs the Royal Commission argued that relief, at least for the able-bodied, would have to be given on a 'less eligible' basis (Checkland and Checkland, 1974, p. 335). In the Poor Law Amendment Act 1834 the practical embodiment of 'less eligibility' was to come in the abolition of outdoor relief for the able-bodied,

which was to be replaced by indoor relief in the workhouse. More importantly for our purposes, however, the aim of the Poor Law Amendment Act 1834, as described by then Poor Law Commissioners Sir George Nicholls, Sir George Cornwall Lewis and Sir Edmund Head (1847, cited in Webb and Webb, 1910, p. 87, original italics), was ‘the extinction of the *allowance system*; or the system of making up the wages of labourers out of the poor’s rate’. While this abolition of outdoor relief, and particularly allowances in aid of wages for the able-bodied, may have been the aim of the 1834 Act, it was easier to state than to do in practice. Wood (1991, p. 114), for instance, notes that ‘in the period of the Poor Law Commission<sup>7</sup> over three-quarters of the able-bodied were in receipt of outdoor relief and that percentage increased under the Poor Law Board’.<sup>8</sup>

Due to resistance of some boards of guardians to the use of the workhouse as a test of destitution, particularly in years of heightened unemployment, an Outdoor Labour Test was introduced in 1842. It allowed guardians to offer relief on the condition that paupers did deterrent-type labour of a heavy, repetitive and supervised nature, rather than on condition of having to enter the workhouse.<sup>9</sup> It was denied by the Poor Law Commission that this was a supplement to low wages, but was akin, as under the Old Poor Law, to paupers being put to work. Indeed, Article 1 of the Outdoor Labour Test Order of 1842 stated that any able-bodied pauper not relieved in the workhouse would not:

receive relief from the Guardians of the Union, or any of their Officers, or any Overseer of any Parish in the Union, while he is employed for wages or other hire or remuneration by any person; but every such pauper so relieved shall be set to work by the Guardians.<sup>10</sup>

Despite such proclamations, wage supplementation continued during the years of the Victorian poor law. Rose (1966, p. 607), for instance, notes that while following the 1834 Act ‘the giving of allowances in aid of wages became a serious crime in the eyes of the orthodox poor law administrator’, the new central poor law authorities ‘failed to stamp out the allowance system’. There is not a great amount of data related to the number of people receiving allowances in aid of wages post-1834. The Poor Law Commission did publish some figures between 1839 and 1846 from which Tables 2.1 and 2.2 have been extrapolated. The tables demonstrate the numbers and proportions of males and females receiving outdoor relief because of insufficiency of earnings (i.e. those whose wages were being supplemented by parishes) and those receiving outdoor relief because they were not in wage work (‘in want of work’).

The tables confirm that both outdoor relief and allowances in aid wages continued for able-bodied people post-1834. Furthermore, the tables demonstrate that a high proportion of people receiving outdoor relief were those receiving it because of insufficient wages. Table 2.1, for example, shows that in no year between 1839 and 1846 was the proportion of people receiving outdoor relief on the grounds of insufficient wages below 50% of the total number of people receiving outdoor relief. In three years (1840, 1844 and 1846) it was above 60%.

Indeed, Table 2.1 demonstrates that in all the years more people received outdoor relief because of insufficient earnings than because they were out of wage work. This was the case even in those years (for instance, 1841, 1842 and 1843) of increased unemployment.

The tables also focus upon gender. Overall, they demonstrate continuity with the old poor law that Williams (2011, p. 101) notes, ‘was heavily gendered: many more women were relieved than men’. Table 2.2, for instance, shows that the majority of female outdoor relief recipients (ranging from 60.0 to 75.2%) between 1839 and 1846 were receiving poor relief because of insufficient earnings compared to less than one-third in all years receiving it because they were in want of wage work. Meanwhile, Table 2.1 demonstrates that the majority of all people receiving outdoor relief because of insufficiency of earnings were female. In no year between 1839 and 1846 was the female proportion of such poor relief recipients below 80%. While the figures might be said to exaggerate the number of women receiving wage supplements because they include the wives of men receiving poor relief on the grounds of insufficient wages, they nevertheless demonstrate that insufficient earnings (because they were so low, or were the consequence of under-employment, or because the women had a number of children, or a combination of those factors) were particularly problematic for women. In all years widows, deserted women and single with children

*Table 2.1* Selected reasons for and overall numbers of people receiving outdoor relief, 1839–1846 (England and Wales)

	1839	1840	1841	1842	1843	1844	1845	1846
<b>Insufficiency of earnings</b>								
<i>Male</i>	8370 (18.0)	9077 (14.1)	8718 (14.9)	12533 (18.5)	12593 (17.8)	9409 (14.2)	7850 (12.4)	7378 (11.8)
<i>Female</i>	38180 (82.0)	55332 (85.9)	49834 (85.1)	55070 (81.5)	58099 (82.2)	56921 (85.8)	55645 (87.6)	54982 (88.2)
<i>Total</i>	46550 (58.6)	64409 (67.2)	58552 (54.9)	67603 (53.9)	70692 (50.7)	66330 (60.1)	63495 (59.3)	62360 (63.4)
<b>Want of work</b>								
<i>Male</i>	5671 (27.1)	10422 (43.8)	15958 (46.8)	21063 (48.3)	27476 (48.9)	14229 (44.7)	11242 (44.0)	10615 (45.3)
<i>Female</i>	15227 (72.9)	13387 (56.2)	18167 (53.2)	22526 (51.7)	28707 (51.1)	17635 (55.3)	14297 (56.0)	12810 (54.7)
<i>Total</i>	20898 (26.3)	23809 (24.8)	34125 (32.0)	43589 (34.7)	56183 (40.1)	31864 (28.9)	25539 (23.9)	23425 (23.8)
<b>Overall</b>								
<i>Male</i>	16566 (20.9)	22263 (23.2)	27901 (26.1)	37219 (29.7)	43155 (30.8)	26171 (23.7)	21749 (21.3)	20597 (20.9)
<i>Female</i>	62815 (79.1)	73617 (76.8)	78845 (73.9)	88264 (70.3)	96806 (69.2)	84242 (76.3)	80246 (78.7)	77796 (79.1)
<i>Total</i>	79381	95880	106746	125483	139961	110413	101995	98393

Sources: Poor Law Commission (1840, 1841, 1842, 1844, 1845, 1847).

*Table 2.2* Gender and selected reasons for receiving outdoor relief, 1839–1846 (England and Wales)

	1839	1840	1841	1842	1843	1844	1845	1846
<b>Males</b>								
<b>Insufficiency of earnings</b>	8370 (50.5)	9077 (40.8)	8718 (31.2)	12533 (33.7)	12593 (29.2)	9409 (36.0)	7850 (36.1)	7378 (35.8)
<b>Want of work</b>	5671 (34.2)	10422 (46.8)	15958 (57.2)	21063 (56.6)	27476 (63.7)	14229 (54.4)	11242 (51.7)	10615 (51.5)
<b>Overall</b>	16566	22263	27901	37219	43155	26171	21749	20597
<b>Females</b>								
<b>Insufficiency of earnings</b>	38180 (60.8)	55332 (75.2)	49834 (63.2)	55070 (62.4)	58099 (60.0)	56921 (67.6)	55645 (69.3)	54982 (70.7)
<b>Want of work</b>	15227 (24.2)	13387 (18.2)	18167 (23.0)	22526 (25.5)	28707 (29.7)	17635 (20.9)	14297 (17.8)	12810 (16.5)
<b>Overall</b>	62815	73617	78845	88264	96806	84242	80246	77796

Sources: Poor Law Commission (1840, 1841, 1842, 1844, 1845, 1847).

made up the majority of females receiving outdoor relief because of insufficient earnings.

Clark (2000) argues that from 1834 to the late 1840s the predominant view of the administrators of the poor law – for example, its commissioners – was that women, whether single, married or widowed should work to support themselves and, if they had them, their children and husbands also. In this period she argues (*ibid.*, p. 261) that the aim of poor relief was not to enforce a male breadwinner model that would necessarily involve female dependency, ‘but [was] to relieve government of the burden of supporting poor women and children’. To this end, Clark (2008) points to the expectation of poor law commissioners that wage workless men would not necessarily need relief if they had wives (and children) who had earnings and who, after its the introduction, would have to fulfil the Labour Test. She also notes that deserted wives and widows were expected to support themselves, even if by the late 1830s the commissioners permitted outdoor relief to new widows for six months ‘to enable them to get back on their feet’ (*ibid.*, 268).

After the 1840s there is even less data about the payment of allowances in aid of wages, although from what little does exist Rose (1966, p. 609) argues that it is clear that allowances in aid of wages continued to be paid ‘long after 1834’. He notes various administrative reasons why this was the case. For example, orders supposedly prohibiting allowances in aid of wages contained ‘loopholes wide enough to drive a coach-and-four through’ and often contained ill-defined exemptions. Orders were also resisted by boards of guardians who ‘objected to having their cherished powers of discretion bridled’ (*ibid.*, p. 611) and where resistance was shown the poor law’s central authorities seemed to be complicit in allowing allowances in aid of wages. Rose (*ibid.*, p. 611) notes that because

of resistance in London, Lancashire and the West Riding to a Relief Regulation Order issued in December 1852 (itself a modified version of an order issued four months earlier that the guardians in these areas protested about) was accompanied by an instruction letter that noted:

The [Poor Law] Board desire ... to point out, that what it [the Order] is intended actually to prohibit, is the giving relief at the same identical time as that at which the person receiving it is in actual employment, and in receipt of wages ... a man working for wages on one day and being without work the next, or working half the week and being unemployed during the remainder [was not prohibited from receiving relief]. (*ibid.*)

Rose (*ibid.*, p. 612), however, argues that the main reason why allowances in aid of wages survived was that boards of guardians were determined to keep them. One reason for this was a 'professed humanity' (*ibid.*) of some boards of guardians that it was cruel, for example, to separate husbands from wives and widows from children by relieving their needs in workhouses. In wanting to maintain a distinction between the deserving and undeserving it was also felt by some Boards of Guardians that it was not right to have the deserving pauper labourer confined to a workhouse alongside 'idle and shiftless characters' (*ibid.*). The second reason was financial. It was cheaper to give outdoor relief than it was to give indoor relief. Giving a family a few shillings to supplement wages was more economic than taking part or whole families into workhouses. There was a tension between notions of the humane and the economic in this context, because a concern with the latter arguably undermined the former. Rose (*ibid.*, p. 620) argues there was little that was humane about a system that gave 'a meagre pittance, which both they [recipients] and the Guardians knew was insufficient to maintain them. Having received their dole, they were left to their own devices to scrape together the additional resources required to keep them and their families for long hours at ill-paid and unpleasant tasks, or by begging or stealing.'

## Conclusion

This chapter has focused primarily upon wage supplements at the dawn of modernity, critiques of them and their supposed abolition in the Poor Law Amendment Act 1834. What is most important for *Social Security and Wage Poverty* is the effect that the 1834 Poor Law Commission report and earlier parliamentary committee reports had upon policy making in subsequent years. Blaug (1963) notes the 'myth' of the old poor law and suggests that allowances in aid of wages 'subsidized what in fact were substandard wages' (*ibid.*, p. 162), despite himself being criticised for 'deriving too many conclusions on too few data' (Taylor, 1969, p. 297). Notwithstanding the political economic argument about the pernicious effects of poor relief on both labourers and their employers, it was most probably inadequate wages that led to their supplementation through parish relief, rather than the other way round. However, in the same decade (the 1960s) as Blaug was

helping to remove the myths of the allowances in aid of wages, those myths were once again helping to frame debates about the state supplementing wages (see Chapters 4 and 5). The discursive construction of the effects of allowances in aid of wages continued to haunt policies to address the poverty of families with dependent children where at least one adult was in full-time paid work well into the 20th century.

While, as we have seen, at the level of practice it was not possible to abolish allowances in aid of wages, the ambitions of the 1834 Royal Commission on the Poor Laws and the Poor Law Amendment Act of the same year were undoubtedly part of the political economic reordering of British society. There is debate about whether the new poor law consolidated the power and influence of the landed elite or relinquished it to the new industrial middle classes. Mandler's (1990a, 1990b) suggestion that a conjunction of the political economy of a new breed of capitalist landed elite with that of the industrial middle classes seems most plausible. Both wanted free markets and individual enterprise.

It is within the context of a desire to address the perceived paternalism of the old poor law and to expose its recipients to the vagaries of the free market, as a means of improving their economic and moral characteristics, that Polanyi (1957, originally 1944) argues that abolishing allowances in aid of wages was a means of commodifying the labour power of the labouring poor. While Polanyi is not as nuanced as Mandler (1990a, 1990b) in his analysis of the influences shaping the Poor Law Amendment Act's attempts to abolish allowances in aid of wages, he is right to point to its role in the development of the market economy.

While labour power is seen as a commodity in capitalism, analytically it should be treated as a 'fictitious' or 'pseudo' commodity (Polanyi, 1957; Peck, 1996). This is because, while it might have the form of any other commodity in that, as the wage system demonstrates, it can be bought and sold in markets, it 'is not itself created in a profit-orientated labour process subject to the typical competitive process of market forces' (Jessop, 2002, p. 13). However, Polanyi's (1957) argument that allowances in aid of wages decommodified labour power is somewhat problematic. His interpretation of the Speenhamland Scale – 'Parents were free of the care of their children, and children were no more dependent upon parents; employers would reduce wages at will and labourers were safe from hunger whether they were busy or slack' (Polanyi, 1957, p. 79) – is close to what we have seen was the argument of the 1834 Poor Law Commission and earlier parliamentary reports, and his claim that it meant a 'right to live' is not borne out by histories of the old poor law. The opposite, however, might have been the case in that allowances in aid of wages may have helped people maintain their employment (i.e. the Speenhamland Scale and such systems were commodifying, rather than decommodifying).

Whether wage supplements act to commodify or decommodify labour power is an issue that has informed debates about, and framed policies related to, wage supplementation since the 1830s. In the following chapter we see that the potential to decommodify the labour power of working people predominated in the 1920s, but Chapter 4 demonstrates that at least at a local level by the 1930s arguments were being made about the commodifying potential of wages supplements. Such arguments, as Chapters 5 to 9 show, were to gain traction in the post-WWII period.

# 3

## Wage Supplements and Poor Relief in the 1920s: Norfolk's Agricultural Labourers

### Introduction

This and the following chapter focus upon debates in the first half of the 20th century about the supplementation of wages through poor relief and public assistance. They focus upon two sectors of the economy – agriculture and cotton weaving – that, albeit for different immediate reasons were facing falling wages, in the 1920s in the case of agricultural labourers and the 1930s in the case of cotton weavers.

In his study of Norfolk's agricultural labourers in the 19th and 20th centuries, Howkins (1985) argues that the social relations of capitalism structured their experiences and their relationships to their employers. Of the period from the 1840s to the 1870s, for example, Howkins notes (*ibid.*, p. 9) that 'in short [the Norfolk farm labourer was] a proletarian, with nothing to sell but his [sic] labour power in a free market which was overstocked, and which valued him at nought'. The consequence was that agricultural labourers endured often long periods of wage worklessness and of low wages when they were in wage work. The situation of Norfolk's labourers improved from the 1860s because of factors related to husbandry practice (for instance, the introduction of machinery and a shift in use of arable land to permanent grass), wider policy changes (for example, the 1870 Education Act), and, because labourers only had their labour to sell, a move away from rural areas to those where wage work was more readily available. Howkins (*ibid.*, p. 12) argues that by the early 1890s the agricultural labourer 'found himself with the upper hand in the labour market'. For farmers, the issue became labour shortages, rather than how to employ a surplus population, an issue that was later to be exacerbated by WWI. The changing experiences of Norfolk's agricultural labourers demonstrated the social relations of capitalist agricultural practice, with Prothero<sup>1</sup> (1912, p. 406), for instance, observing that the 'interests of agricultural labourers... conflict with those of their employers. They want high wages and low prices: their employers want high prices and low wages.' Prothero (*ibid.*) argued that these basic antagonistic relationships of capitalist farming were often blunted by the common interests of labourer and farmer (low prices, for example, also meant low wages), but nevertheless it was a desire by employers in

Norfolk in the 1920s to turn a profit which led to increased pressure on poor law authorities to supplement their decreasing wages.

As with many other areas, as we saw in the previous chapter, the supplementation of wages continued in Britain's eastern counties after the introduction of the Poor Law Amendment Act 1834 (Digby, 1975). In the early 1920s, however, the Ministry of Health became alarmed by a proposed meeting of Norfolk's rural boards of guardians, called by the Loddon and Clavering Poor Law Union, to consider the issue of wage supplements in a period that Penning-Rowell (1997, p. 182) describes as 'a major collapse of agriculture' and in which, as Gowers and Hatton (1997, p. 84) note, agricultural labourers were facing 'savage cuts in wages'. It was essentially a localised concern with how boards of guardians were to relieve (or otherwise) needs of a group of wage workers facing acute economic distress – agricultural labourers with large families. The episode received little coverage at a national level. A brief mention in the 1922/23 *Annual Report of the Ministry of Health* (Ministry of Health, 1923, p. 82), for example, merely highlighted that a request by some Norfolk Unions to relieve applicants in full-time work 'could not be approved'. However, the fact that it was reported suggested that it had raised important questions about how poor relief was operating in the 1920s.

The first section of this chapter provides context for the subsequent discussion of the practice of, and debates about, supplementing the wages of some agricultural labourers in Norfolk. It focuses upon post-WWI regulation and its repeal of agricultural wages. The chapter then moves on to focus upon the specific issues related to poor relief by examining the approach of the Norfolk boards of guardians to wage supplementation, their reaction to the meeting organised by the Loddon and Clavering poor law union and the attitude of the Ministry of Health to the relief of the destitution of people in full-time paid work. The chapter demonstrates a great deal of continuity – for example, variations in strategies of relief; the practice of supplementing wages as a pragmatic response to destitution; the search for creative ways of granting relief that fell within the legislation (primarily to avoid surcharging); and sometimes an exasperation with the attitude of the central poor law authority (Ministry of Health), which was seen by some boards of guardians as being remote and out of touch with socio-economic needs at a local level – with earlier observations on the operation of the poor law at a local level (see, for example, Ashforth, 1976, Digby, 1976, Rose, 1986).

### **Agricultural labourers' wages**

Howkins and Verdon (2009) demonstrate that from the introduction of the Trades Board Act 1909 there were demands for its extension to agriculture. George Edwards, then Secretary of the Eastern Counties Agricultural Labourers and Small Holders Union, for example, proposed in 1910 to the Trades Union Congress (TUC) 'that it be an instruction to the Parliamentary Committee to take steps at once to have the agricultural labourers included in the sweated trades act of 1909' (*ibid.*, pp. 259–60), which the TUC accepted. Bills seeking to introduce minimum wages for agricultural workers were brought forward in 1913 (by G. H. Roberts, MP for

Norwich) and in 1914 by Arthur Henderson (Labour MP for Bernard Castle), both of which failed because the 'general lack of enthusiasm' of the liberal government to extend the Trades Board Act 1909 to agriculture (*ibid.*, p. 269).

When, however, regulated wages were introduced for agricultural workers they were linked to concerns with food production. The Corn Production Act 1917 guaranteed prices for farmers and wages for labourers. It was informed by the work of the Selborne Committee (Agricultural Policy Sub-Committee, 1917, 1918), which was commissioned in 1916 to advise the government on post-WWI agricultural policy and, as an afterthought, on wartime agricultural policy at a time when ships, often carrying agricultural produce, were at risk of being sunk. The Selborne Committee recommended – and the then Coalition government led by Lloyd George accepted – that it, and subsequent governments, should guarantee minimum prices for two crops (wheat and oats)<sup>2</sup> for at least four years and, most important for our purposes, it also recommended that there should be a wages board for agriculture which could enforce minimum wages for labourers along similar lines to those already in the 'sweated' trades (see Chapter 10).

Initially at least, the idea of guaranteeing minimum prices was to encourage grassland farmers to put their fields under the plough and plant cereal crops to increase, in today's parlance, food security. It was argued that a guaranteed price for four years would help recoup the capital and running costs of such developments. Whetham (1974, p. 38) argues that the idea behind the setting of minimum agricultural wages was to tackle the 'abysmal poverty which had engulfed the southern and eastern counties of England'. There is, however, little in the Selborne Committee's reports to suggest that the poverty of agricultural labourers was its main concern. The committee, though, did draw upon the myths of allowances in aid of wages, condemning, for example, the pre-1834 poor law as 'lending direct encouragement to pauperization and deterioration in the quality of labour', and, along with other administrative and economic changes, the Poor Law Amendment Act 1834 was held to have 'paved the way for better times' for agricultural workers (Agricultural Policy Sub-Committee, 1918, para. 13).

Under the Corn Production Act 1917 an immediate minimum wage of 25s a week was introduced for able-bodied, adult males. Subsequently, in August 1920 and under the control of the Agricultural Wages Board, wages were raised to 42s per week (Starnes, 1939; Gowers and Hatton, 1997). However, the introduction of minimum wages for agricultural workers was not without its problems. First, there was the ambiguous relationship that was held to exist between minimum wages and regulated cereal prices. When arguing for the introduction of minimum agricultural wages Prothero, then President of the Board of Agriculture, suggested that the two were discrete. Drawing upon a sweated trades discourse – which Howkins and Verdon (2009) show was, at best, paternalistic and, at worst, located in the contemporary concerns with physical and racial degeneration – Prothero argued that 'since labourers were "wholly unorganized", "scattered about and almost isolated"' they 'needed "some local authority which can step in and deal with these men"' (cited in Howkins and Verdon, *ibid.*, p. 266). However, others argued that regulated agricultural wages and cereal prices were

inextricably linked, as suggested in the oft-repeated quote from Lloyd George that ‘if the Government guarantees prices, labour must also be guaranteed’ (House of Commons Debates, 1917, col. 1601). The relationship between regulated prices and wages was to become important, as we shall see, when in the aftermath of WWI the British government became concerned with the potential liabilities it faced for guaranteeing cereal prices.

Second, the Selborne Committee’s ideas on wages were arguably rooted in marginal productivity theory rather than subsistence, as Whetham’s (1974) arguments above suggest. Its concern was with the cost of productive labour to farming enterprises, rather than the subsistence needs of farmers. This can be seen, for example, in its treatment of the ‘old and infirmed’ agricultural labourer who ‘should be paid at the general piece rate but might earn less than the legal minimum owing to his [sic] age or infirmity’ (Agricultural Policy Sub-Committee, 1918, para. 28). While agricultural wages boards were to set the wages of the ‘old and infirmed’, as well as women and boys, it was argued by the Selborne Committee that they could justifiably be paid at lower rates.

The position of female agricultural workers was particularly precarious because, while in the inter-war period many farmers acknowledged women workers as being ‘proficient in some tasks’, they also ‘regarded women workers as expensive labour’ (Verdon, 2009, p. 122). In contrast, however, the National Union of Agricultural Workers (NUAW) was concerned that ‘women were cheap labour, undercutting male wages, and displacing male workers’ (Verdon, 2009, p. 125). Those concerns, Verdon (*ibid.*) argues, were particularly visible in periods of acute hardship, with, for example, the NUAW questioning in 1921 whether women should work on the land at all.

Among farmers there was disquiet as at the end of WWI when ‘markets were again open to unrestricted imports [they] foresaw that they would be left paying wages at current rates but with only derisory minimum prices for two commodities as the reward for their wartime investment of money and effort’ (Whetham, 1974, p. 42). Such concerns were made particularly acute in the post-WWI period by ‘huge sales of land from estates at prices which reflected the profits of the period of belligerence, rather than the uncertain prospects of the post-war world’ (*ibid.*).

The government responded to such concerns by setting up a Royal Commission enquiry into the ‘economic prospects of the agricultural industry in Great Britain, with special reference to the adjustment of a balance between the prices of agricultural commodities, the costs of production, the remuneration of labour and hours of employment’ (Royal Commission on Agriculture, 1919, p. 2). The commission’s enquiry resulted in three reports (a majority report, a minority report by eleven and a minority report by one). The government accepted the majority report’s view that cereal prices were likely to remain high, but that farmers could not be sure that they would remain at a level at which they could cover their costs (Whetham, 1974). As a consequence it led to the introduction of the Agricultural Act 1920. This act extended indefinitely (or at least until four years notice had been given for their withdrawal) the provisions of the Corn Production Act 1917.

However, six months after the bill which formed the basis of the Agricultural Act 1920 had been 'pushed...through a reluctant House of Commons' (*ibid.*, p. 46), its provisions extended from the Corn Production Act 1917 were cancelled forthwith. In its drive for post-WWI austerity the government was concerned with the potential economic consequences of guaranteeing prices for cereals. Prices began to fall from late 1920 and in the spring of 1921 there 'came also rumours of gigantic harvests impending in North America, and of loaded ships on their way to Britain across the South Atlantic and the Indian Ocean' (*ibid.*, p. 45). The Treasury could not contemplate the potential liabilities that such rumours suggested they might face and, therefore, there was a reversal of policy (Whetham, 1974, Gowers and Hatton, 1997, Penning-Rowse, 1997).

In justifying the repeal of the Agricultural Act 1920 the government clearly linked the payment of guaranteed cereal prices to the regulation of wages for agricultural labourers (Howkins and Verdon, 2009). This was much to the chagrin of the trade unions, with, for example, Robert Walker (General Secretary of the National Agricultural Labourers' Union, NALU) drawing upon Prothero's speech of 1917, arguing that it 'is totally untrue to assert that from the beginning the wages board for the workers and the guarantee to the farmers were meant to go hand in hand' (cited in Howkins and Verdon, 2009, p. 269). In contrast, Walker argued 'that Ministers, MPs, men of all parties and schools of thought, united in agreeing to the principle of a minimum wage' because 'agriculture was regarded as a sweated industry, and because the money being paid to many of the workers was an outrage' (*ibid.*).

The government's repeal of the Agricultural Act 1920 has been described as a betrayal. However, as Howkins and Verdon (2009) note, what or who has been considered as having been betrayed has varied over time. For Whetham (1974) the farming community was betrayed, for Cooper (1986) it was agricultural reformers and for Penning-Rowse (1997, p. 193) if 'anyone was betrayed it was the farm workers'. The workers were not compensated, as farmers were, for the reintroduction of laissez-faire to agriculture, and a finance package for education and research that was supposed to support good husbandry, introduced as a consequence of the abolition of the 1920 Act, went to farmers and their sons. Moreover, even before the abolition of the Agricultural Act 1920 the wages of agricultural labourers were reduced. The last act of the Agricultural Wages Board was to reduce the weekly wage of adult male agricultural labourers from 46s to 42s, and to 8d per hour for female agricultural workers. However, following the board's abolition and despite, or perhaps because of,<sup>3</sup> its replacement with district-based conciliation committees, by the end of 1922 average agricultural wages had fallen to 28s per week (Gowers and Hatton, 1997). This, though, was an average and in response to a parliamentary question the Minister for Agriculture and Fisheries demonstrated that weekly wages for 'ordinary labourers' varied from a high of 35s a week in Durham and 32s in Cheshire and Northumberland to a low of 25s per week in Bedford, Gloucester, Huntingdon, Oxford, Warwick and, most importantly from our perspective, Norfolk (House of Commons Debates, 1922, col. 907). Many farm workers had been forced to endure a standard of living lower

than that before the 1918–20 agricultural boom, a situation that was to deteriorate further through 1922 (Penning-Rowsell, 1997).

It was these developments, driven by what Penning-Rowsell (1997, p. 182) describes as a market created collapse of agriculture with government acquiescence ‘apparently in the interests of free enterprise but perhaps more correctly with a view to creating a stronger currency on the way to restoring the gold standard in 1925’, which provided the context for the actions of a number of boards of guardians in Norfolk. They caused alarm in the Ministry of Health, which had not long taken on responsibility for poor relief from the Local Government Board.

### **‘Danger’ brewing in Norfolk: poor relief and wage supplementation**

We saw in the previous section that by the end of 1922 the wages of agricultural labourers had fallen to an average of 28s per week in Britain and to 25s per week in Norfolk. In terms of poor relief, the fall in the wages of agricultural labourers had several effects. First, and something that is often overlooked, it had the potential effect of reducing payments to paupers. This should not be a surprise because, as we saw in Chapter 2, a core principle of the new Poor Law was that relief should be underpinned by the idea of less eligibility. It was often difficult, at least in a material sense, for less eligibility to take its central position in poor relief because of the often wretched state of the poorest independent wage labourers. However, it was the case that the Ministry of Health was keen to re-emphasise in the post-WWI economic crisis that relief should be premised upon the principle that, while relief given under the Poor Law ‘should be sufficient for the purposes of relieving distress’, the amount of relief given should ‘be calculated on a lower scale than the earnings of the independent workman who is maintaining himself by his labour’ (Ministry of Health circular, 1921, cited in Ministry of Health, 1922, p. 84).

This meant that boards of guardians were expected to ensure that the relief they afforded to the able-bodied should be relative to locally available wages. The implication was that as wages moved so too might the level of relief afforded to paupers. We see this expressed in various ways, for instance, in reductions of poor relief payments to able-bodied and not so able-bodied people,<sup>4</sup> and in representations from paupers that levels of poor relief were inadequate to support themselves and their families.<sup>5</sup>

What is of more importance to us, however, is the effect that falling wages had upon the wages of agricultural labourers remaining in wage work in Norfolk. The effects were, unsurprisingly, felt most keenly by those labourers who had the most mouths to feed.<sup>6</sup> Such cases became apparent from October 1922 when, for example, Forehoe Guardians reported two cases of able-bodied employed men seeking relief (one with a wife and ten children and the other with a wife and six children<sup>7</sup>); while the Smallburgh Union Relieving Officers reported ‘several applications from men with large families stating that now their wages had been greatly reduced they were unable to properly provide for their children’.<sup>8</sup>

In the following months several other unions were also approached by agricultural labourers in full-time work. The Ministry of Health's District Inspector for the Eastern Counties, Captain Hervey collected data for the early part of December 1922 which suggested some unions were supplementing wages, five on 6 December (Erpingham, Forehoe, Smallburgh, Walsingham and Wayland) and six on 11 December 1922 (Depwade,<sup>9</sup> Erpingham, East and West Flegg, Forehoe, Loddon and Clavering and Smallburgh).<sup>10</sup>

We saw in the previous chapter that there were various means by which the payment of allowances in aid of wages continued post-1834. This was still the case in the 1920s when the payment of poor relief was governed by legislation, and orders and regulations which had their antecedents in the 19th century. The most important of these was the Relief Regulation Order (RRO) 1911. The RRO 1911 forbade the giving of relief to people in full-time employment and for periods for which they received wages. However, the relief of able-bodied men in full-time work was allowed if they or a member of their household was sick, and in emergencies and cases of 'sudden and urgent necessity'. The latter two circumstances provided for relief of a one-off, rather than a recurring, nature. As we shall see, however, the clause related to 'sudden and urgent necessity', alongside that related to sickness, was used in Norfolk by some Unions to allow the repeated supplementation of the wages of labourers in full-time work.

Initially at least, the advice of the Ministry of Health was that, provided the cases were reported to it as departures from the RRO 1911 and relief was offered in kind, rather than cash, such relief could be allowed.<sup>11</sup> As Captian Hervey told the Forehoe Board of Guardians, 'the only relief that could be afforded in these cases [people in full-time work], must be in goods' and should only relate to 'special circumstances',<sup>12</sup> and the Smallburgh Guardians that such cases should only be relieved in cases of 'sudden and urgent necessity'.<sup>13</sup> He did not suggest that boards of guardians were doing anything illegal in rendering outdoor relief to able-bodied men in full-time work and pointed out the weakness of the Ministry of Health's position to the Erpingham Guardians in late November when he was reported as noting that, providing the guardians reported departures from the RRO 1911 to the Ministry of Health, they only risked being surcharged if they continued with such relief after it had been disapproved by the Ministry.<sup>14</sup> Hervey took a similar approach with the Walsingham Union that had relieved with money two agricultural labourers in full-time work who had large families. Hervey was noted as saying at a meeting of the Walsingham Guardians 'granting money to men in receipt of wages... rather appeared... that it might be the thin end of the wedge which would lead to a general departure from the [Relief Regulation] Order [1911]'.<sup>15</sup> Hervey's concern was that there 'might be very serious abuse... It was subsidising the wages of labourers. By doing that they [the guardians] were also subsidising the farmer or employer'.<sup>16</sup> While Hervey sympathised with agricultural labourers, for whom it 'must be very difficult... to live, but at the same time these departures [from the RRO 1911] were open to abuse'.<sup>17</sup> The Clerk of Walsingham Union suggested to Hervey, with which he agreed, 'You do not suggest that there in any illegality, only that it is a caution of principle?'<sup>18</sup>

George Edwards (then Labour MP for Norfolk South and a member of the Walsingham Board of Guardians) found 'he could certainly not complain of anything that Capt. Hervey had said' and in the context of being 'confronted with a condition of things that made it utterly impossible for [agricultural labourers] to keep their families unless they had some maintenance besides their wages', Edwards felt that providing children were being fed, 'he did not care whether relief was in kind or money'. He did, however, take issue with the idea that agricultural labourers would abuse poor relief supplementing wages. Edwards was reported as telling the meeting, 'that labourers detested having to go to the Guardians. The word "pauperism" was repugnant to them, and relief was the very last thing they would seek.' He also felt that there would be a large increase in the number of labourers claiming such relief, driven not by their abuse of relief, but by the state of agriculture in Norfolk. His rather alarming warning that the board would have 'hundreds of these cases'<sup>19</sup> was, as it turned out, misguided.

Somewhat disingenuously Hervey later informed the Ministry of Health that the Walsingham Guardians were leading the vanguard in offering poor relief to supplement wages, 'urged by the eloquent electioneering platitudes' of Edwards.<sup>20</sup> It was the case that when Edwards argued for relief in supplement of wages and defended the morality of agricultural labourers the 1922 General Election was only a fortnight way. Nevertheless, Edwards was well positioned to talk about the hardship of agricultural labourers given that, as a child, he and the rest of his family had endured severe privation and he had spent time in a workhouse after his agricultural labourer father was imprisoned for stealing turnips – 'hard labour for the crime of attempting to feed his children' (Edwards, 1922, p. 22). Over the coming months though, Hervey's approach was to change. What seems to have been the catalyst for this was a call by the Loddon and Clavering Union for a meeting of Norfolk's rural boards of guardians to consider the issue of relief in supplementation of wages.

### **A return to the Spenhamland Scale?**

The Loddon and Clavering Union had been approached by an able-bodied labourer in full-time work with a wife and six children for relief to supplement his earnings of 25s per week. Its chairman, Mr Easter, explained in terms related to the central role of poor law guardians of balancing the interests of paupers and rate payers, that such a case placed the guardians in a dilemma to which there was no easy solution. On the one hand, he 'would be sorry to do anything that would injure the woman and children, but they [the guardians] must recognise that at the present time there was a great number of ratepayers who found it difficult to live, and many had to exist on 25s a week'.<sup>21</sup> His fear was that 'there was a great danger, if relief was granted of having a considerable number of similar applications'.<sup>22</sup> He thought that if such relief was to be granted then Norfolk's rural unions should take a common approach and, with William Carr (the Vice-Chairman of Loddon and Clavering Union) thinking that the issue of poor relief

supplementing wages was 'one that went to the very root of the Poor Law',<sup>23</sup> it was agreed that the Union should organise a meeting to discuss the issue. Hence, rural unions were invited to meet with a view to 'discuss[ing] the matter and arriv[ing] at some principle as to granting such relief throughout the whole County'.<sup>24</sup>

It was the combination of relief to supplement earnings *and* a county-wide approach that seems to have caused the Ministry of Health alarm. This was not helped by Hervey's reporting to the Ministry of Health of the situation in Norfolk that, at least initially, seems to have misread the situation. As we have seen, there was more concern with, rather than support for, offering allowances in aid of wages in the Loddon and Clavering Union and the focus of the meeting was to be upon the principle of whether such relief should be offered. However, and following an outline of what had occurred in the Norfolk rural unions over the preceding months, Hervey noted that the 'point is that the Loddon and Clavering Gdns have just circularised the Norfolk Bds of Gdns on the subject of... relief to able-bodied labourers, asking them to send delegates to a... conference to be held in Norwich with a view to arriving at a uniform scale of relief during the winter months'.<sup>25</sup>

For the Ministry of Health, drawing upon the mythology of allowances in aid of wages and the Speenhamland Scale in particular, there were signs of 'danger' and 'difficulty' in Norfolk where relief was being offered 'not on account of unemployment or short time, but on the ground that the wages earnable are insufficient for the maintenance of the labourers' family particularly when it is a long one'.<sup>26</sup> In particular, Ministry of Health officials thought that in Norfolk the 'resemblance to the adoption of the "Speenhamland Act of Parliament" is very striking, and it will be necessary... for the Minister to take a definite line in the matter'.<sup>27</sup>

In the context of Hervey's letter, the Ministry of Health was keen to understand the extent to which boards of guardians were offering relief in aid of wages and, therefore, wrote to poor law inspectors across England to gauge to what extent they thought such a practice existed. The results of this call for evidence suggested that in both rural and industrial areas the offering of relief in aid of wages was not particularly widespread and where it was used it was primarily a pragmatic response by boards of guardians attempting to balance the destitution of large families with the cost of relieving such destitution in workhouses. The overwhelming response was that the offering of relief in aid of wages was rarely considered by boards of guardians. W. D. Bushell, for example, wrote to the Ministry of Health that 'I feel sure that relief in aid of wages is not being given to anyone in full-time employment in this District [Sheffield]' and that only a few in part-time employment were offered relief,<sup>28</sup> while H. K. Nisbet noted that: 'No cases has yet come to my knowledge where Guardians are relieving Agricultural Labourers who are doing a full week's work, unless there is sickness in the family or some other special reason'.<sup>29</sup>

These were typical responses. Twelve of thirteen inspectors reported that the wages of agricultural labourers were, to their knowledge, not being supplemented by relief in aid of wages. The only one who reported that agricultural wages were being supplemented was Captain Hervey for Norfolk. However, he reported that

the majority (thirteen of eighteen unions) in Norfolk were not using relief in aid of wages for agricultural labourers and, even in those five that were offering such relief, there was only a total of nineteen cases and these primarily involved families with large numbers of children.<sup>30</sup>

In the case of industrial labourers the majority (10 of 13) of inspectors reported that allowances in aid of wages for full-time employment was not being offered. In the three reporting that they were being used, two noted that the wages of miners had been supplemented by poor relief, but, once again, this was rarely done and was only ever for those with large families. The third noted the case of an ex-soldier who could only secure work in the evenings lighting parish lamps for which he was paid 15s per week. He received temporary relief from guardians and at the time of writing was 'off the books'.<sup>31</sup> In a second case guardians were relieving a man doing piecework in the shoe trade who earned between 14s and 16s per week from which he had to support four children. In all of these instances, the decision of the guardians to supplement wages was a means of providing relief for destitution as economically as possible. So, for instance, in the latter case of the shoe worker, the inspector noted:

The Guardians get from his employer a return of earnings each week and are assured that after Christmas more work will be available for the man. It was suggested that he should be put to work under the Distress Committee, but that would not seem the wise course to adopt if there is a prospect of more work at his own trade. It would mean that a younger single man would take his place and the community would have to maintain the man and his family indefinitely.<sup>32</sup>

This response by the Northampton Guardians – offering relief as cheaply as possible – was, as we saw in Chapter 2, one of the main reasons explaining the continuing use of allowances in aid of wages in the post-1834 period. Boards of guardians were always under pressure to relieve destitution in the most cost-effective manner and they took this role seriously. As we have seen, the desire for economy in the relief of destitution was one of the reasons Loddon and Clavering Union called for a meeting of Norfolk's rural unions to discuss relief in supplement of wages.<sup>33</sup>

Being caught between the demands of central government to relieve destitution in a manner consistent with the principles of the poor law and the demands of local rate and tax payers, however, was not the only difficult position in which guardians found themselves. Hervey pointed to the predicament facing some of the boards of guardians in Norfolk that arguably reflected both the continuing location of poor relief in the last vestments of the moral economy and the strength of the organised working class. He noted that guardians in Norfolk were 'keenly anxious to work with the Ministry in this matter, but they want a clear and unchangeable expression from the Department as they feel that as at present they are under threat of a possible disallowance if relief is improperly given, and endless trouble with the Trade Unions if it is not given'.<sup>34</sup>

Other inspectors reported the pressure that boards of guardians were under to offer relief in aid of wages. Inspector Elias reported to the Ministry that the Clerk of Shifnal Board of Guardians told him that a 'communist... was trying to stir up trouble in that neighbourhood, & who had himself applied for (& been refused) outrelief on acc<sup>nt</sup> of partial employment'.<sup>35</sup> Meanwhile, Inspector Walsh reported that there was 'considerable dissatisfaction existing in the Lincoln and Grantham Unions'. This, it was argued, was because the unions had both rural and urban populations, and wage worklessness in both the unions was among the urban dwellers 'and undoubtedly the scale of relief exceeds in both cases the maximum amount of wages of an agricultural labourer in full work'.<sup>36</sup> This was a consequence of the contention that 'urban dwellers [had] to pay a higher house rent, and more for his [sic] food'. While rural dwellers may have been more able to grow their own produce, the 'farmer [guardians] are objecting to this present scale of relief which has a tendency to make their own employees dissatisfied'.<sup>37</sup> Despite such pressures, however, it was the case that relief to supplement wages was being used by only a minority of poor law boards surveyed by the Ministry of Health.

While the Ministry of Health was busy collecting data, Loddon and Clavering Union was organising its meeting of poor law unions, which was attended by twelve of Norfolk's rural boards of guardians. The idea of a meeting to discuss relief to supplement earnings was not received favourably by all unions: for example, Smallburgh refused to attend because it was already 'granting relief to urgent and necessitous cases', including those of able-bodied men in full-time work;<sup>38</sup> while the Swaffham Guardians declined to attend because its members agreed that such a meeting would 'advertise the subject', leading to 'more persons applying for relief (if such relief was decided to be given) than would otherwise be the case'.<sup>39</sup> Others boards of guardians were more positive, for instance the Vice-Chairman of Henstead Union supported the idea of the meeting if its aim was to make 'a joint appeal to the Ministry of Health to allow [guardians] to act' in the case of agricultural labourers with large families.<sup>40</sup>

The headline reporting the Loddon and Clavering organised meeting in the *Norfolk Chronicle* was NO RELIEF IN AID OF WAGES FIRM ATTITUDE OF THE MINISTRY OF HEALTH.<sup>41</sup> It was clear that after the Ministry of Health heard about the meeting it had no intention of making any concessions in relation to the granting of poor relief to supplement full-time wages. In advance of the meeting Hervey had been informed that any 'departure from the Relief Regulation Order [1911] will be disapproved in cases in which the applicant is in full-time work'<sup>42</sup> and that, if the opportunity arose, he should 'point out to the conference that, though wages in several other countries are as low as they are Norfolk, no proposal for the grant of relief has yet been submitted'.<sup>43</sup> Essentially, the Ministry of Health's position, as relayed to the meeting by Hervey, was that no relief could be offered to men in full-time work, not even in kind, unless there was sickness in the household and/or the need was the consequence of an emergency or a 'sudden or urgent necessity'. The Ministry of Health argued that neither was applicable to agricultural labourers in full-time work because their need was not

the consequence of an emergency and, because it was recurring, it could not be considered to be the consequence of 'sudden or urgent necessity'.

At the conference Hervey argued that the only way able-bodied men in full-time employment could be relieved was via the workhouse. There were two possibilities in this regard. First and, as Hervey acknowledged, a 'brutal thing to say',<sup>44</sup> was the possibility that such men would have to accept institutional relief. The Ministry of Health recognised there was 'danger of popular resentment of such a decision if the effect should be that an appreciable number of persons have to give up their work and go into the workhouse'.<sup>45</sup> However, this was a 'risk...which ought to be taken in preference to the certain spread of relief in aid of wages'.<sup>46</sup> The second option, equally as brutal and inflammatory, was to 'receive into the institution a certain number of children and help the applicant in that way'.<sup>47</sup>

The institutional approach was criticised by one (unnamed) delegate who objected to 'separating children from families' and another (Mr Arnett from Docking Union) 'objected to children being removed from their home to the workhouse'.<sup>48</sup> Mr Jarrold, the Vice-Chairman of Blofield Union, seemed to speak for the majority of delegates at the meeting when he was reported as saying that 'he could not help feeling that the official mind was out of date and out of sympathy and out of touch with the present situation'.<sup>49</sup> Indeed, reporting of the meeting demonstrated the often tense relationship which existed between boards of guardians and central poor law authorities. While the Ministry of Health argued it did not want to interfere or restrict the discretion of boards of guardians, it did demand that discretion be exercised within the law. As Jarrold's comments above suggested, this was resented by some participants.<sup>50</sup>

It was resolved by a large majority (25 votes in favour and five against): 'that this conference earnestly requests the Ministry to alter the existing regulations so that agricultural labourers with large families may be relieved with goods or in kind, each case to be considered on its merits'.<sup>51</sup> This, however, was not the outcome that the Loddon and Clavering Union had hoped for. As we have seen, its Chairman's views were always more in tune with those of the Ministry of Health and it is not outlandish to suggest that it thought other unions would be of a similar mind. However, the Chairman of the meeting (William Carr, also the Vice-Chairman of Loddon and Clavering Union, and, according to Hervey, 'a very nice fellow, [who] owns a beautiful house and estate and has some of the best shooting in Norfolk'<sup>52</sup>) was 'absolutely against the motion'. Reportage of his comments suggests he had a confused position on the matter. On the one hand, he argued that it was the Act of Parliament, rather than the Ministry of Health that should be condemned. On the other hand, he praised the 1834 Poor Law Amendment Act for saving 'this country from the utmost misery and destitution...If the system of helping wages were introduced it would bring back the old evil conditions from which we escaped with the greatest difficulty...If it was acted upon the result would be to lower wages at the expense of rate payers. He did not want to see that come about. He wanted to see wages raised'.<sup>53</sup>

The difficulty with Carr's and the Loddon and Clavering Union's positions was arguably demonstrated in the same edition of the *Norfolk Chronicle* in which the boards of guardians' meeting was reported. Reports on meetings in Norwich of a 'united

agricultural conference' (with representatives of the National Farmers' Union, NFU, the National Union of Landworkers and the Central Landowners' Association) and a NFU conference, showed that in the absence of government intervention (either subsidies or protectionism) the employers of agricultural labourers felt there was a risk of further wage cuts in the future. At both forums it was suggested that wages were 'uneconomic', being paid at a level that meant there was no surplus value for employers. Captain Francis was reported as telling the NFU conference that 'he had told his men that unless something was done by the government the position was hopeless'. They responded that that they could not live on the current 25s, but he warned that with little improvement their wages might be reduced to 18s per week.<sup>54</sup> In other words, it was the determination to profit from the wage labour of agricultural labourers which drove wages down, rather than any payment of poor relief. However, while the existing wages of agricultural labourers were felt by employers to be uneconomic, there were factors acting against them being reduced further. Mr Newlove, for instance, was noted as telling the united agricultural conference that further wage cuts had the potential to remove the incentive to labour – 'it was not much of an encouragement to a man to put his back into his work if he was made to suffer another drastic cut in wages. Farmers must have bad farming unless they could get the real co-operation of their men.'<sup>55</sup>

### **Norfolk Unions respond**

In many senses the debate had not moved on a great deal from that in the first decades of the 19th century. For some, most notably the Ministry of Health and a minority of unions, it was poor relief that led to low wages, in a rather utilitarian, possibly noetic, kind of way. Others saw the relief of the destitution of able-bodied men in full-time work as being a necessary, more humanitarian role for poor relief and, therefore, something that must be done, while not necessarily offering an explanation for low wages. Similarly, in their varied response and their resistance to central government demands boards of guardians demonstrated an often defiant continuity with the past.

In response to the Norfolk rural union conference resolution the Ministry of Health reminded boards of guardians of the provisions of the RRO 1911 that outdoor relief could only be paid in cases of sickness, or in an emergency or cases of 'sudden or urgent necessity', but 'in the view of the Minister, these powers would not...justify the Guardians or the Relieving Officer in making a continuing grant of outdoor relief'.<sup>56</sup> The main reason for this, in the Minister's view, was that the existing regulations were 'in accord with an administration of the Poor Laws which has been shown by experience to be in the best interests of agricultural labourers as well as of other classes of the community'.<sup>57</sup>

It soon became apparent, though, that some unions would continue to offer outdoor relief to able-bodied men in full-time employment using various methods. One method was to disguise such relief. So, for example, in the aftermath of the conference called by the Loddon and Clavering Union the Chairman of the Henstead Guardians was reported as saying that at the conference boards

were 'told that they must not give relief [to supplement wages] but should give orders for the house. Everybody knew that that was impossible.'<sup>58</sup> The Henstead Guardians, however, had under consideration two large families where wages were 25s and 23s 10d per week. While they had offered flour in the past to the families, it was suggested by a board member that they be given milk instead via the Child Welfare Committee.<sup>59</sup> This was agreed after board members pointed to the economic problems that would be caused by taking the children of employed able-bodied people into the workhouse and the inhumanity of such an approach.<sup>60</sup> Similarly, when the Forehoe Guardians reported departures from the RRO 1911 in the case of nine able-bodied men in full-time work that were disapproved by the Ministry of Health:

The clerk was directed to write to all medical officers [of the Union] and point out the difficulties they were in with regard to supplementing the wages of able-bodied men with large families and to ask if it were possible that Medical Extras could be recommended for the children of the men on the grounds of malnutrition, as in this case no exception could be taken by the Ministry.<sup>61</sup>

Other unions ignored the instructions of the Ministry of Health and vowed to relieve able-bodied men in full-time work in kind. Wayland Guardians, for example, resolved to 'continue to relieve emergency cases as they had been doing hitherto – get to know all particulars of the case, and then relieve the same at their discretion'.<sup>62</sup> After the Loddon and Clavering conference had been condemned by their Chairman as a 'farce from beginning to end' and 'a milk and watery affair',<sup>63</sup> Blofield Guardians resolved: 'That the present line of action adopted by this Board in dealing with the cases of application for relief by men in full work be adhered to and that the Boards Officers be indemnified against any loss which might result from such action by reason of a surcharge by the District Auditor.'<sup>64</sup>

Following an exchange of letters between its Relieving Officer, the Clerk of the Union and Captain Hervey, the Walsingham Union Guardians refused to accept the Ministry of Health's view that the 'only course open to your Guardians is to offer institutional relief to the families as a whole or to take into the workhouse a certain number of the children of each family'.<sup>65</sup> It resolved to 'continue the relief as hitherto granted leaving it to the Ministry to take such action it considers necessary'.<sup>66</sup> It also resolved 'not to allow any members of the Board or any officer who may be surcharged in respect of such relief to suffer personal financial loss through such surcharge'.<sup>67</sup> In the year following the conference, however, there is no evidence of any of Norfolk's guardians facing a surcharge for the illegal granting of relief to able-bodied full-time male workers.

## Conclusion

Debates about, and the practice of, supplementing the wages of agricultural labourers in Norfolk were the consequence of the actions of Britain's central government desire for austerity in the context of a return to a more normal

agricultural production and trading environment following WWI. The linking of guaranteed cereal prices to minimum agricultural wages meant that when the government became concerned with their potential liabilities because of falling prices, the wages of agricultural labourers fell to such an extent that they were inadequate for those with large families who had no means of supplementing them. Agricultural labourers knew this, and many of Norfolk's rural poor law unions agreed with them.

The plight of agricultural labourers, therefore, was caused by the operation of global agricultural markets and the reaction of the British government, along with, as Penning-Rowsell (1997) demonstrates, a class interest that meant agricultural employers, but not their wage workers, were compensated for the repeal of minimum wages. In many ways, the episode demonstrates the difficulties of the Ministry of Health's belief in the Speenhamland Scale mythology that undoubtedly framed its concerns, for it was clear that the need of agricultural labourers in full-time wage work for poor relief was the consequence of falling wages. While the Ministry of Health's position was that it did not wish to entrench falling wages, the issue was more fundamental, located within the organisation of agriculture. The problem lay in global agricultural competition, the labour intensive nature of agriculture (the ability/inability to extract surplus value from labourers) and the short-termism and unpredictability of capitalism (for instance, the selling and buying of large estates and land at unsustainable prices). It was agricultural labourers, particularly those with large families, however, who paid the price for these factors by having to approach the poor law for relief, despite the fact that they were in full-time wage work.

It might be argued that the position of the Ministry of Health was merely posturing, for, as we have seen, it was still the case that the payment of poor relief as a supplement to wages could be paid for various reasons and, even when such reasons were not met, the reporting of departures from the relevant regulations was usually enough to avoid potential punishment through surcharging, unless repeated after being told to cease by the Ministry. There is no evidence, at least until May 1924, that any of Norfolk's boards of guardians were surcharged for any relief that they had allowed labourers in full-time work. However, it is also possible to understand the posturing of the Ministry of Health as being an attempt to contain what it thought could become a more widespread problem, not only in Norfolk, but also in other areas of Britain. The deterrent effect of its position cannot be known, but its paternalistic approach – that in the long run not supplementing wages would be good for agricultural wage workers – would have undoubtedly exacerbated the hardship of agricultural labourers unwilling to see their families split apart by removal to the workhouse.

It might also be argued that the response of boards of guardians to the Ministry of Health was also posturing, for while there was undoubtedly concern with the plight of agricultural labourers at a local level among guardians, it was the case – and despite the dire warnings of some – that guardians only ever relieved a few agricultural labourers in full-time work. Many such labourers, as we saw George Edwards argued, would have been deterred by the stigma of poor relief, while

others may have had their own means of subsidising their wages. Moreover, as we saw in the previous chapter, poor relief was never generous, even when it supplemented wages and, therefore, even when supplemented by a little bread or flour, the condition of agricultural labourers would only have been improved by a matter of degree. That small improvement, however, may, in the face of the Ministry of Health's intransigence, have eased the situation of those full-time employed agricultural labourers who did approach boards of guardians.

Concerns in Norfolk with wage supplementation were taken over in 1923 by 'the biggest farm labourer's strike since 1873, and the last strike of national significance which the NUAW was to lead' (Howkins, 1985, p. 157). Furthermore, the NALU ran a 'concerted campaign between 1921 and 1924...seeking to restore the wages board system' (Howkins and Verdon, 2009, p. 270) and a shifting discourse emphasising a right of agricultural labourers to a LW led the minority Labour government elected in 1923 to introduce Agricultural Wages Committees. Those Committees were said to endorse the notion of a family wage for agricultural labourers because they were required to set wages that would 'enable a man in an ordinary case to maintain himself and his family in accordance with such standard of comfort as may be reasonable in relation to the nature of his occupation' (*ibid.*, p. 372). While this framing of the work of Agricultural Wages Committees did little to improve the position of female farm workers (Howkins and Verdon, 2009, Verdon, 2009), Gowers and Hatton (1997, p. 87) argue that it was unlikely that the real wage increase of thirteen per cent between June 1924 and June 1925 would have happened without such regulation. Overall, Gowers and Hatton (*ibid.*, p. 100) suggest that in the late 1920s wage regulation increased agricultural wages by fifteen per cent and by twenty per cent in the 1930s. In the 1930s, however, wage workers in other sectors of the British economy were facing levels of wages that condemned them to an income often below that provided by public assistance. We focus upon this issue in the following chapter in the case of Lancashire's cotton weavers.

# 4

## Wage Supplements and Public Assistance in the 1930s: Lancashire's Cotton Weavers

### Introduction

In the previous section we examined the response of the Ministry of Health to the supplementation of wages of agricultural labourers in Norfolk in full-time employment in the 1920s. We saw that the Ministry refused to grant poor relief to agricultural labourers in Norfolk because the supplementation of the wages of people in full-time wage work was held to be problematic in the long term, not only for individual workers, but also for wider society. This refusal was framed by similar concerns to those raised by the parliamentary committee reports and the Royal Commission into the poor laws in the early decades of the 19th century. The consequential destitution, faced by families in particular, was not seen as problematic, by the Ministry of Health at least. The issue for agricultural labourers was one of low wages, primarily caused by political economic concerns with the potential impact upon government spending in light of falling agricultural commodity prices and the class dynamics of the actors (the government and farmers and farm workers unions) involved.

This chapter focuses upon a second episode in the inter-war period when the British government faced calls to supplement on a systematic basis the wages of workers who, while being in full-time employment, earned wages which were inadequate to support their families. In this case the pressure for such a policy development came from two sources, Lancashire's PAC and the main trade union representing the interests of cotton weavers working in Lancashire, the AWA. The chapter has three sections. The first section examines trends in the nominal wages of cotton operatives in the post-WWI period and the reasons why they fell in the first half of the 1930s.

The second and third sections focus in more detail upon the ideas and arguments of the PAC and the AWA respectively and their attempts to convince Britain's central government that the level of cotton weavers' wages was so low that they should be supplemented by public assistance. Both sections discuss the arguments of the relevant institution for the supplementation of cotton weavers' wages and the objections of central government to such arguments (the Ministry of Health in the case of the PAC, and Ministry of Labour in the case of the AWA).

The chapter suggests that while the response and actions of the central government departments demonstrates a good deal of continuity with the past, there were elements in the arguments of Lancashire's PAC and the AWA that were to become more forceful in the post-WWII period. These primarily related to a reconceptualisation of wage supplements as a policy that might incentivise people to remain in or to take low-paid work, and a possible weakening of trade union opposition to wage supplements.

### **Cotton weavers, wages and public assistance in the 1930s**

The situation facing cotton weavers was one of falling demand for British produced cloth and, as a consequence, over-capacity in cotton manufacturing. In many ways, the cause of falling wages among cotton weavers was similar to the causes of falling wages among Norfolk's agricultural labourers in the 1920s. While the wages of cotton operatives were never regulated like those of agricultural labourers, it was nevertheless the fundamental characteristics of capitalism – competition and the drive for profitability – that caused their low wages. Before WWI cotton production had been expanding in Britain, driven by the demands of export markets, particularly in south and east Asia (Pope, 2000; Bruley, 2006). However, despite a short post-WWI boom (1919–20) during which cotton operatives were able to secure higher wages (Bruley, 2006) and cotton enterprises were recapitalised (Sunley, 1992), Britain's cotton industry never regained its pre-WWI position<sup>1</sup> because of a combination of factors, including the way it was organised (vertically specialised, rather than integrated), fierce competition, increasingly out of date technologies and, perhaps most importantly, shrinking export markets (Brockway, 1932; Kirby, 1974; Lazonick, 1983, 1990; Sunley, 1992; Fowler, 2003). It is estimated that by the end of the 1920s the weaving sector of Britain's cotton industry faced over-capacity of twenty percent, which was to increase to 22.7 per cent by the end of the 1930s (Bowden and Higgins, 1999). The consequence for cotton workers was increased unemployment, under-employment and reduced wages as cotton entrepreneurs tried to secure profitability. Unsurprisingly, this made for poor industrial relations.<sup>2</sup> With the exception of the 1926 General Strike, Bruley (2006, p. 82), for example, describes the actions of, and against, cotton operatives in the inter-war period as 'the most significant episode in labour history between the two world wars'.

Bruley (*ibid.*, p. 86) notes how during the brief post-WWI cotton boom 'industrial action by cotton workers secured both wage rises and a reduction in the working day'. However, those increases in wages were short-lived as worsening economic conditions from 1921 meant employers were successful in reducing wages to not only below their pre-1919 level, but also below their 1914 level.<sup>3</sup> The employers and the AWA had a different understanding of wages. For the former, wages were constructed through marginal productivity theory. They were the consequence of supply and demand and, despite their protestations about a desire to return to higher levels of employment and a full complement of loom tendering, high levels of unemployment and under-employment among employers suited this

conceptualisation of wages by employers as they placed downward pressure on wage levels (c.f. Jewkes and Winterbottom, 1931). In contrast, the AWA view of wages was more located in subsistence notions. It was concerned with the observance of wage agreements in the context of competition between cotton manufacturers<sup>4</sup> and, as we shall see, its concern with relationships between public and unemployment assistance and wages paid to cotton weavers.

The employers, perceiving what they saw as high wages as putting them at a competitive disadvantage, argued that in the longer term cuts in wages were in the best interest of cotton weavers because lowering the price for wage labour meant greater security for those in work and higher levels of employment.<sup>5</sup> However, given that the number of cotton weavers fell across the 1920s and 1930s,<sup>6</sup> it is clear that the desire of employers to return to profitability resulted in both lower wages and higher rates of unemployment among cotton operatives.<sup>7</sup> Bowden and Higgins (1999, p. 25) argue that the 1920s were denoted in both cotton spinning and weaving by 'attempts to contain labour costs through systematic reductions in the wage rate and in hours worked' (Bowden and Higgins, 1999, p. 25). Facing a little improving situation, Bowden and Higgins (1999) argue, that by the end of the 1920s there was also a growing interest among mill owners in increasing productivity.

Bowden and Higgins (*ibid.*) suggest the 'more looms' experiment, which began in 1928 and was introduced across cotton weaving in 1933 after resistance from cotton weavers (Hopwood, 1969), was part of this desire to increase productivity. Fowler (2003) argues that the more looms system was an attractive way for Lancashire's mill owners to attempt to increase productivity because it did not involve a large capital outlay as, for instance, the introduction of automated looms would have done.<sup>8</sup> Fowler (*ibid.*) suggests that it was not (as has been argued by others, for example, Sandberg, 1974, Lazonick, 1990) trade union resistance which meant such looms were not introduced into Lancashire. In contrast, the adoption of automated looms was prevented by an employers' belief that a more cost-effective means of increasing productivity was to make weavers tend a greater number of looms. The more looms system did this and, therefore, it can be understood as a continuation of concerns in the 1920s because its aim of increasing productivity also involved reducing overall wage costs and reducing the number of workers needed to operate cotton looms. It did this by making weavers responsible for eight looms, double the traditional four. Savings came from the fact that while the wages of weavers were increased in the experiment, they were not doubled and that jobs previously done by weavers related to the maintenance of their looms were taken on by more poorly paid wage workers (Bruley, 2006). In the context of the competitive nature of cotton production, the estimated saving of wage costs of between twenty and forty percent, 'while simultaneously maintaining the *individual* weaver's wage, and without having to undertake heavy expenditure in re-equipment, must have seemed very attractive' (Bowden and Higgins, 1999, p. 27).

Bruley (2006, p. 87) argues that the more looms experiment was not just a means of reducing wage costs, but was structured through gender, 'to play men and women weavers off against each other'. Her view can be understood in the

more general employment environment of the inter-war period which, as we have seen in relation to agriculture, meant that women, married women in particular, faced discriminatory practices in employment. The economic assumption was that women were provided for from the wages of their husbands and the cultural assumption was that such women should not partake in paid employment because of the potential effects on her's and her children's well-being. While the majority of weavers were women, it is the case that the more looms experiment sought to replace their labour power with that of men. Bruley (2006) notes that many more loom agreements had clauses which favoured married men and quotes Valley Mills in Nelson as an example where an agreement with the AWA increased the wages of male weavers by over a third, but resulted in the sacking of married women weavers.

It is the gendered nature of the more looms experiment that, for Bruley (2006), meant that the AWA was willing, at least initially, to agree to it when it obviously disadvantaged at least some of its female members.<sup>9</sup> However, trade union support for more looms was short-lived as the effects upon employment became apparent and opposition to it became conjoined with resistance to the wage cuts employers had secured through arbitration in 1929. Following several years of industrial unrest, in 1932 employers announced the suspension of all agreements on wages and conditions, which resulted in a county-wide strike in Lancashire. The strike ended after a month with the Midland Agreement (see Hopwood, 1969). The cotton workers, 'exhausted and demoralised, were forced to agree to further wage cuts, bringing down their average wage to a little over 30s per week' (Bruley, 2006, p. 90). The more looms system was introduced the year after. While reducing from eight to six the number of looms operated by weavers under the system, it meant that from 1933 there were essentially two wage systems in operation for cotton weavers, the uniform list and the more looms list. This became particularly apparent in 1935 when the first statutory order on textile wages was introduced. Its effect was to reduce the wages of workers set by the uniform list and to increase the wages of those on the more looms list. Given that the majority of cotton weavers were receiving wage rates governed by the uniform list, the majority faced a pay cut.<sup>10</sup>

By 1935 cotton workers had endured a decade and a half of attacks upon their wages. However, in order to match output with demand in a situation of overcapacity, the level of wages was not the only employment problem that cotton weavers faced. They also faced various forms of under-employment (Jewkes and Winterbottom, 1931, Whiteside and Gillespie, 1991). There are different ways of arranging the under-employment of wage working people, as the contemporary use of part-time employment and zero hours contracts demonstrates, to meet conditions of reduced or inconsistent demand. There were different such practices in the inter-war period in various parts of the cotton industry. In spinning, for example, under-employment took the form of factories being shut for whole days during a week, meaning that employees were not employed for those days. In those processes between spinning and weaving, such as beaming, warping and winding, there was a 'great deal of intermittent and spasmodic unemployment'

(*ibid.*, p. 640). In weaving, however, reductions in output tended to be managed, not by putting weavers out of work for parts of the week or sporadically, but by reducing the number of looms that they were expected to operate.

Given the above trends, it should be of little surprise that by the 1930s Lancashire's weaving districts 'were seen as part of the distressed areas' (Fowler, 2003, p. 88) and that the socio-economic distress of weavers was reflected in the writing of contemporary commentators. In *Hungry England*, Brockway (1932, pp. 16–17, original italics) was told that the 'standard of [cotton workers'] food cannot be compared with two years ago. The cheapest of everything has to be bought; *anything*, so long as it can be eaten ... The low quality of food which is being eaten is undermining the health of entire families.' It was in this context that in the mid-1930s central government was called upon to consider whether it would be possible to supplement the wages of Lancashire cotton weavers who, while being in full-time work (usually of 48 hours a week), were not being paid full-time wages because they were overseeing only two or three looms, rather than the four they were expected to oversee in more favourable economic conditions.<sup>11</sup>

The possibility of supplementing the wages of cotton weavers via public assistance was raised with the then Chairman of the UAB, Lord Rushcliffe, by the Conservative MP for Rossendale, Ronald Cross. Cross was concerned with 'the position of weavers who virtually are working half time, but who technically are not regarded as doing so'<sup>12</sup> and he noted that he had been 'informed that as a consequence it is common for weavers to take home only about 15s at the end of the week. In cases where the earner is responsible for dependants and he frequently only gets two looms, there is, of course, extreme poverty.'<sup>13</sup> Even Cross' 'own supporters [had] frequently said that they do not know how these people live'. Cross wanted such weavers to be treated as part-time rather than full-time workers. He recognised that an 'obvious objection...is that this would constitute a subsidy to full-time earnings and might indeed encourage the cutting of wage rates', but he argued that the Cotton Manufacturing Industry (Temporary Provisions) Act 1934, which Rushcliffe had 'piloted through the House of Commons'<sup>14</sup> would prevent this as it made wage agreements legally binding for employees and employers (Jackson, 2008).

Cross' request, however, was rejected. He was told by Rushcliffe that cotton weavers tending a reduced number of looms for a full working week could not be considered legally to be anything but in full-time work.<sup>15</sup> In addition, Rushcliffe argued that 'it would be inconsistent with the purpose of the scheme we are administering, if we supplemented the wages of a person employed full time simply on the ground that his earnings fell below a certain figure'.<sup>16</sup> There was, in other words, still a lack of recognition at central government level of the poverty, and the ensuing distress, that inadequate wages could bring to people in full-time work. The preservation of the independence of the full-time worker took precedence over their socio-economic state.

It was, however, not just Ronald Cross who was concerned with the situation of Lancashire's cotton weavers. Two institutions – Lancashire's PAC and the

AWA – both raised the issue with central government in 1935. The reason why 1935 seems to have been pivotal in concerns about the wage income of Lancashire's cotton weavers was the consequence of an agreement between the employers and unions in 1934 in which weavers' wages were reduced once again. The wage structure of cotton weaving was complex (depending, for example, upon the quality of the cloth being woven, whether it was colour or not, and the width at which it was being woven) and primarily based upon piece rates. It required such a structure, employers insisted, as a means of incentivising cotton weavers.<sup>17</sup> However, there was recognition in 1935 that the wages of weavers producing the coarsest cloths were often below the level at which unemployment assistance and public assistance were payable as means of relieving destitution. This raised different concerns for the two organisations, work incentives for the PAC and social justice for the AWA.

### **Lancashire public assistance committee and wage supplements**

While many local authorities were not keen on inheriting the role of poor relief, the Local Government Act 1929 transferred the responsibilities of 625 poor unions to upper tier local authorities in England and Wales (county and county borough councils). The transfer of responsibilities can be understood in what Gilbert (1970, p. 214) describes as the 'disintegration of national authority over the administration of poor relief' that was perhaps best symbolised (although it was not unique) in Poplarism. Gilbert (*ibid.*, pp. 219–20) suggests that in the 1920s the 'sprawling poor law appeared deplorable' to the Minister of Health, Neville Chamberlain, 'a man with ... passion for order and logic in public affairs'. Earlier in the 1920s Chamberlain guided through parliament legislation that in various ways sought to increase the control of central government over the work of poor law boards of guardians, for example, the Board of Guardians (Default) Act 1926, the Audit (Local Authorities) Act 1927 and the Local Authorities (Emergency Provisions) Act 1928. The Board of Guardians (Default) Act 1926, for example, reflected Chamberlain's 'cardinal Benthamite belief' that 'local government [could] only be kept efficient and vigorous if it is made to exercise responsibility, and if necessary, suffer the consequences of its own mistakes' (Chamberlain cited in Self, 2004, p. 118). Meanwhile, Gilbert (1970, p. 224) notes that from the second half of the 1920s, before the introduction of the Local Government Act 1929, 'the parish guardians of the poor began to learn, for the first time, what modern, systematic, scientific social administration could mean'. In particular, Gilbert argues that the role of Ministry of Health inspectors changed, with them being increasingly involved, 'contrary to tradition' (*ibid.*, p. 224) in decisions about individual applications for relief. Gilbert also notes, however, a great deal of continuity, that for example, following the Local Government Act 1929 'Poor Law relief remained Poor Law relief' (*ibid.*, p. 229).

For our purposes what was most important was that outdoor relief for the able-bodied remained prohibited, unless the applicant was set to work (Article 6 of the RRO 1930). Allowances in aid of wages also remained prohibited, for

instance, Article 8 of the RRO noted that: 'No able-bodied man shall receive relief in respect of any period during which he is employed and in respect of which he receives wages or other remuneration.'<sup>18</sup> In Lancashire this raised at least two issues. First, the operation of the work test for the able-bodied destitute was criticised on several occasions by the Ministry of Health, whose officials saw it as being under-used and, where used, as being inconsistent with the aims of offering relief on the condition of the work test.<sup>19</sup> The fear of the Ministry of Health officials seemed to be that the way in which task work had developed in some areas of Lancashire was akin to the Roundsman system of the old poor law and, even worse for the Ministry of Health, the payment of public assistance appeared to be a kind of wage.

Second, was the way in which Lancashire's PAC was able to deal with destitution as a consequence of low wages rather than unemployment, given the structure of wages in the cotton industry. In a lecture in 1936 the Superintendent Relieving Officer of Lancashire PAC, Frederick Clarkson, argued that Article 8 of the RRO 1930 had 'caused considerable difficulties in certain parts of Lancashire in recent years'.<sup>20</sup> He was referring to the fact that its provisions were considered several times by Lancashire's PAC in 1935. Their considerations culminated in a meeting with representatives of the Ministry of Health (including Sir George Chrystal, the then Permanent Secretary), the Ministry of Labour and the UAB. While 1935 was not the first year Lancashire's PAC had considered relieving cases that departed from Article 8 of the RRO 1930,<sup>21</sup> it was a year in which the PAC faced the greatest pressure to depart from the order.

In March 1935 Nelson and Burnley Guardians' Committee were debating the potential relief of a number of men in the Padiham area who, while working a full week, were not receiving wages equivalent to the relevant public assistance scale. While the clerk to the committee pointed out that it could not 'make an order to relieve a man who is working full-time and earning',<sup>22</sup> Guardian, Councillor W. Thorp, felt that the committee should 'not bother about the legal regulations, but think more about human requirements' and that since it was already relieving such cases it should continue to do so where the 'wage is not sufficient to keep body and soul together'.<sup>23</sup>

The following month the issue of supplementing wages was being discussed by the Preston and Chorley Guardians' Committee. One of its relief sub-committees had its awarding of relief to a crosspiecer earning 17s 6d for a full week's work disapproved by Lancashire PAC. Placing the offer of such relief in the wider context of low wages both within and outside cotton production,<sup>24</sup> the Preston and Chorley committee resolved:

That the Public Assistance Committee be asked to strongly protest to the Minister of Health against the requirements of Article 8 of the Relief Regulation Order, 1930, the application of which, in the Guardian Committee's view, tends towards unnecessary expenditure upon relief by reason of the fact that persons in receipt of wages lower than the appropriate amount of relief applicable to their particular cases are discouraged from continuing in employment.<sup>25</sup>

Given the concerns of the Ministry of Health that outdoor relief should operate so as to maintain employability it might have been thought that this was a strong case, for the Chorley and Preston Guardians' Committee was essentially arguing that public assistance paid as a wage supplement could be considered as a work incentive measure, encouraging people to remain in low-paid work, rather than having to give it up to receive public or unemployment assistance. Alongside Chorley and Preston Guardians' Committee's resolution, the Central Relief Sub-Committee of Lancashire's PAC was considering five cases from various districts in which relief had been granted that contravened Article 8 of the RRO 1930 (all of which it disapproved). However, given the resolution of Preston and Chorley Guardians' Committee and the cases it was considering, the Relief Sub-Committee was 'of the opinion that the provisions of Article 8 of the Relief Regulation Order 1930, should be amended so as to permit Public Assistance Authorities to offer relief to an able-bodied man in respect of any period during which he is employed or in respect of which he receives wages'.<sup>26</sup>

As a consequence, the PAC wrote to the Ministry of Health, noting its concern that the wages of those weavers working a reduced number of looms 'may be less than the scale of outdoor relief in force and clearly inadequate for the maintenance of a family'.<sup>27</sup> The problem for the PAC was that while 'the ultimate effect on standards of wages, if the same could be legally subsidised by grants of relief was not lost sight of', Article 8 of the RRO 1930 was – and repeating the arguments of the Chorley and Preston Guardians' Committee – in danger of 'discourag[ing] men from accepting or continuing in employment when wages below the scale of outdoor relief are paid and such wages are inadequate for family maintenance without augmentation by grants of relief'.<sup>28</sup> This argument subverted that contained in the 1834 report of the Royal Commission on the Poor Laws, as demonstrated in Chapter 2, which suggested that allowances in aid of wages discouraged individuals from doing wage working. In contrast, the argument coming from Lancashire was that what would equate to the payment of allowances in aid of wages would actually encourage people to maintain their wage work.

While, as we have seen, the Lancashire PAC had refused applications from weavers earning less than outdoor relief, it was the case that relieving officers often granted relief in kind – food tickets – where it was considered that employed weavers and their families faced destitution because of a sudden or urgent necessity. The scale of this relief – 400 orders of casual relief in the half year to 25 September 1935 – was to become clear in its later meeting with officials from various central government departments.<sup>29</sup>

On the face of it the PAC had a persuasive argument, for such relief was clearly framed by issues – economy, work incentives and good administration<sup>30</sup> – that were consistent with the historical and contemporary concerns of central government with poor relief. However, its views, particularly on the potential incentive effects of allowances in aid of wages, were ahead of their time, and the Ministry of Health refused to countenance a relaxation of Article 8 of the RRO 1930.

While the Ministry of Health appreciated the 'spirit which prompts men to undertake work at wages insufficient for their maintenance rather than remain

in idleness', it argued, the solution of the difficulty is not to be found in the subsidy of wages by poor relief'.<sup>31</sup> Quite where the solution was to be found was not made clear, although it was noted by the Ministry of Health that the 'maintenance of the principle [that wages should not be supplemented by poor relief] does not lessen the volume of employment, but affords an opportunity of employment to some other person whom it will suffice to maintain'.<sup>32</sup> The Ministry of Health was suggesting that cotton weavers with children could partake in other forms of wage work, thereby leaving lower paid work for those people with no or fewer children to support. The implication of the Ministry of Health's view was that there was enough employment that paid adequate wages for families with dependant children if only people would access it, a view that demonstrated little understanding of the way labour markets operated generally and in the cotton industry especially.

In this context, it is perhaps not surprising that the matter was not laid to rest and following what appears to have been at the prompting of Nelson and Burnley and Guardians' Committee,<sup>33</sup> some six months later Lancashire's PAC's Central Relief Sub-Committee was once again considering the case of cotton weavers without a full complement of looms and, by this time, the case of little piecers, both of whom were 'unable to earn wages sufficient to maintain themselves and their dependants'.<sup>34</sup> As a consequence the Ministry of Health received a deputation from the Lancashire PAC to discuss, among other things, Article 8 of the RRO 1930. The meeting was informed that looms were serviced by big piecers and little piecers. The work of little piecers was 'in normal times' done by juveniles,<sup>35</sup> but in the economic conditions of the mid-1930s when a third of mills were closed, 'it was essential for a man who had lost full employment and who wished to remain in the cotton industry to take this employment, so that he could be at hand to step into the shoes of a "big piecer" when a vacancy occurred'.<sup>36</sup> However, and somewhat undermining the case for a relaxation of the prohibition of the payment of public assistance as a wage supplement in preference for emphasising the deservedness of adult little piecers, the meeting was told that 'they were of the most industrious type, willing to work for wages less than the allowance which they would otherwise receive as poor relief'.<sup>37</sup>

This request for the problem of low wages in the cotton industry to be addressed through either unemployment insurance or assistance, or public assistance was met with the same response as that outlined earlier in the year in the Ministry of Health's letter to the Lancashire PAC, that the 'question at issue on Article 8 of the Relief regulation Order was...not a new one, and it involved the serious question of principle of giving a subsidy in relief of wages. There was a great deal of evidence to show that such a system must prejudice the position of the wage-earner'.<sup>38</sup> While, therefore, Sir George Chrystal promised to put the arguments to the Minister of Health (Sir Kingsley Wood), he did not 'hold out any prospect that the principle would be abandoned'.<sup>39</sup> A month later the PAC was informed that although the Ministry of Health 'fully sympathises with the motive... to seek means of alleviating the hardships which the present state of the cotton industry imposes on many of the individuals who look to it for their livelihoods... [Wood]

felt bound to consider not only the immediate consequences of a relaxation of the Article, but also the ultimate effects which such a policy might produce both in the cotton trade and other fields of industry'.<sup>40</sup> He was not willing to abandon Article 8 of the RRO 1930 for cotton operatives, or any other wage workers.

Given this decision, the Central Relief Sub-Committee felt that the only course of action for the PAC was 'to ensure as far as rests with them that such assistance as can be rendered under the existing regulations is rendered in all these cases'.<sup>41</sup> While, as the committee noted, it could not determine the amount of relief offered in circumstances of sudden and urgent necessity (that was down to the discretion of relieving officers), it did suggest that 'the attention of Relieving Officers be specifically directed to the provision and to applicants who, although working for a full week, are in receipt of a wage insufficient to meet the needs of themselves and their dependants'.<sup>42</sup> In the meantime, the Blackburn and Clitheroe Guardians' Committee had resolved that 'notwithstanding the Minister of Health's expressed attitude' that the PAC 'persist in their efforts to obtain the desired result'.<sup>43</sup> There is no evidence, however, that it did so.

### **The AWA, public assistance and the under-employment of weavers**

By the mid 1930s the issue of under-employment and its affects upon cotton weavers' wages had been a concern of the AWA for many years.<sup>44</sup> In some senses, it might be surprising that a trade union was seeking to have the wages of its members supplemented through public assistance. Before, during and after the 1930s unions closely defended collective free bargaining, with which wage subsidies arguably interfered. The payment of such supplements might suggest that trade unions were not organised nor collectively strong enough to advance their members' interests.<sup>45</sup> Furthermore, and as we shall see in Chapter 5 when we discuss attitudes to FAs, there was trade union suspicion, with some justification, that allowances paid to people in wage work were used as a means to suppress wage levels.<sup>46</sup>

Nevertheless, the idea eventually put to the Ministry of Labour came from the Nelson and District Weavers' Association. It was concerned with the effects of new statutorily enforceable piece rate lists.<sup>47</sup> It had noted, for instance, with the 'greatest alarm' in a Special Meeting of the Amalgamated Weavers' Association General Council in August 1935, 'the tremendous reduction in wages by the application of the new Weaving List on most cloth'.<sup>48</sup> In its resolution, after noting that 'all workers are entitled to a living wage' and that 'wages now accruing will approximate to little more than Unemployment Insurance Benefit', the Nelson and District Weavers' Association demanded a 'substantial increase' in wages. The following week, however, at a General Meeting of the AWA it also argued for a change to Article 8 of the RRO 1930, which, as we have seen, excluded people from receiving public assistance for periods in which they received wages:

That this General Meeting, whilst agreeing with the policy of not subsidising wages by Public Assistance, asks for special consideration to be given to weavers. It is satisfied that no other class of operative is in the position of working a full

48-hour week for less than a full week's wage, although receiving Trade Union rates of wages. It therefore asks the Minister of Health to make a special dispensation in the Relief Regulation Order, 1930, to meet the special type of case, and instructs the Central Committee to implement the request.<sup>49</sup>

There was arguably an inconsistency in the demands of the Nelson and District Weavers' Association. On the one hand, its demand for increased wages suggested that it felt that low wages could be addressed within the cotton manufacturing industry. On the other hand, its demand for access to public assistance suggested that low wages could only be addressed from without the industry. However, it is the case that Nelson District Association was attempting to deal with two issues – falling wages and under-employment – that suggested a need for different responses. In the case of the former, it was concerned that the 'best of us is not more than a few weeks away from the doorstep of Public Assistance'.<sup>50</sup> In the case of the latter it wanted access to public assistance. It argued, for instance, that there was '*no difference in principle between any type of worker who works three days a week and gets a little relief, and a weaver with only two warps in four looms who works all week and yet cannot get relief. They are both half-employed.*'<sup>51</sup> Hence, while it 'generally agreed' with the principle of not subsidising wages with public assistance, it nevertheless thought there were 'exceptions to every rule. When conditions in an industry are such that it is a better financial proposition to play than it is for work, then it is time we did something about it'.<sup>52</sup>

The Nelson and District Weavers' Association did acknowledge that under-employed weavers were accessing food tickets allowed by the Public Assistance Committee under Article 17 of the RRO 1930 (the relief of sudden and urgent necessity). However, such a form of relief was problematic for a number of administrative, cultural and economic reasons. In the case of administration, relieving officers who dealt with sudden and urgent necessity could only relieve the immediate needs of the applicant. This meant, unlike relief committees that dealt with full applications for public assistance, they could not, for example, utilise disregards (allowances, as they were then described) related to the wages of wives and children. With regard to the cultural aspects of being relieved via food tickets, the Nelson District Weavers' Association noted 'the indignity of having to go to the shop with a food ticket, whilst the other type of applicant can go with money'<sup>53</sup> and, in terms of the economic, that the receipt of a food ticket did not make up the weaver's income to the relevant scale of public assistance.

The AWA accepted the arguments of the proposal of the Nelson and District Weavers' Association. While the latter withdrew its motion at the 17 August General Meeting of the AWA, this was on the understanding that 'after making enquiries [the Central Committee] will deal with the whole question in a practical manner'.<sup>54</sup> This took the form of a survey of under-employment among weavers, the findings of which are contained in Table 4.1, and a meeting with the then Minister of Labour, Ernest Brown (Liberal National), in December 1935.<sup>55</sup>

Table 4.1 demonstrates the extent of under-employment of cotton weavers in a two-week period in October 1935. It shows the variation in the proportion of

*Table 4.1* Proportion of cotton weavers working full time, but not operating their full complement of looms for a two-week period (weeks ending 12th and 19th October) in 1935

District	Proportion of cotton weavers under-employed	
	Week ending 12 October 1935	Week ending 19 October 1935
Blackburn	39.3	38.9
Burnley (42)	15.3	15.6
Ashton (7)	22.2	20.7
Preston	21.9	20.3
Accrington (7)	13.8	13.3
Padiham (6)	17.2	20.5
Haslingden (28)	8.7	6.1
Nelson (44)	15.1	15.5
Ramsbottom (7)+	7.7	6.5
Bury (1)	60.7	58.5
Todmorden	*	8.7
Longridge (2)	26.4	22.9
Heywood (13)	7.7	7.3
Colne	30.7	27.5
Rossendale	14.0	15.0
Bacup (5)	7.9	5.9
Bolton	25.3	23.4
Church (11)	10.0	8.9
Darwen	21.7	20.9
Clayton (4)	–	–
Barnoldswick	14.2	14.1
Skipton	26.2	18.6

*Notes:* + the return for Ramsbottom referred to looms rather than weavers.

\* no return

– no under-employment reported, only one enterprise returned.

Bracketed figures in column one refer to the number of mills making returns.

*Source:* From returns to the AWA's survey, October 1935 and published in its *Report and Statement of Accounts for the Year Ending March 28th, 1936*, p. 9, LRO DDX 1123/1/31.

under-employed weavers between district weaving associations. As the Secretary of the AWA, Andrew Naesmith, told Ernest Brown, excluding the extremes – about 60 per cent under-employment in Bury and no under-employment of weavers in both weeks in Clayton – between one in thirteen (in the Bacup district) and four in ten (in the Blackburn district) weavers in week ending 12 October 1935 were under-employed (the average was about one in five), and in week ending 19 October 1935 between one in seventeen (in the Bacup District) and two in five (in the Blackburn district) weavers were under-employed (the average was one in six).

Essentially, the AWA was making a special plea on behalf of its members. Like Lancashire's PAC it too was 'in complete agreement' with the policy 'that wages ought not to be subsidised out of Public Funds',<sup>56</sup> a statement that was to

undermine its argument for the special treatment of cotton weavers. However, drawing heavily upon the Nelson and District Association's analysis, it made several arguments for why Article 8 of the RRO 1930 should be relaxed for cotton weavers. First, in a rough justice-type argument, the AWA pointed out that while their members had to pay full unemployment insurance contributions, they often received wages that were below what unemployed people might expect to receive in state-sponsored financial support; and second, it made the argument that the means of supporting destitute weavers via food tickets was problematic, for the reasons outlined by the Nelson and District Weavers' Association. Most notably, however, it did not use its potentially strongest argument in its statement to the Minister of Labour, or in its meeting with him, that as things stood it was the 'length of time [weavers] have worked, and not their need, [that] becomes the defining factor'.<sup>57</sup> This point highlighted the tensions that had always existed in the prohibition (at least in law) of supplementing wages via poor relief, that it was possible to be destitute *and* to be working what were considered full-time hours. It was, however, a fear of the potential effects of allowances in aid of wages that maintained the pretence, expressed in the RRO 1930, that the full-time employed could not be destitute.

It was clear, as we saw was the case with Lancashire's PAC's request, that central government was not willing to countenance a change in approach to supplementing wages via public assistance. If the demands of the AWA were to be met the legislation governing the payment of unemployment assistance, and/or the RRO 1930, would have to be changed. Civil servants developing a brief for the Minister of Labour, however, were not convinced that either of these potential courses of action was desirable. In reaching this conclusion officials, at least in part, used the AWA's own arguments. They highlighted, for instance, the Association's general support for the principle of not subsidising the wages of people in full-time employment. Drawing upon the mythology of allowances in aid of wages, officials argued that:

failure to observe this principle led to the notorious demoralisation of the countryside prior to the Reform of the Poor Law in 1834, and apart from the lessons of that experience, it is obvious that when public funds are available to supplement earnings, employers are able to lower earnings without much resistance, in view of the fact that wage reductions will be made good from another source.<sup>58</sup>

For officials, the fact that the earnings of weavers 'are very low is no reason why public funds should supplement them'.<sup>59</sup> This was because, not only were wage 'rates and methods of payment highly artificial things, particularly in the cotton industry',<sup>60</sup> but their supplementation with public assistance would 'only [help] to perpetuate the system that results in such low earnings and encourage its extension'.<sup>61</sup> There were two concerns in this regard. First, that if the principle was not adhered to for cotton weavers 'there would be relentless pressure to extend the breach'. This was because the extension 'would be on such subtle

reasoning that it could not be appreciated by the public at large'.<sup>62</sup> Second, it was the view of officials that such a move would 'tend to weaken [weavers'] resistance to the system of working and therefore tend to perpetuate it'.<sup>63</sup> To support their claim they quoted the work of Jewkes and Winterbottom (1931, p. 645) on the wages of cotton weavers, which was also used by the AWA:

There can be little doubt that this (i.e. the prevalence of this type of under-employment) has been one of the influences making for the immobility of labour in the cotton industry. By spreading the work over a larger number of employees it has tended to keep a larger volume of labour attached to each mill than could ever be fully employed again.<sup>64</sup>

The use of public assistance to supplement wages would merely help to reproduce and probably extend this situation among cotton weavers. Civil servants were also able to draw upon comments made by the then Minister of Labour, Tom Shaw (Labour MP for Preston), a decade before. In this instance, Shaw was responding to amendments put forward to the Unemployment Insurance (No. 2) Bill 1924 that were concerned with the less than full-time wage work, primarily of miners and dockers, but also of cotton weavers. William Tout (Labour MP for Oldham and later member of the AWA's General Committee) pointed to the inconsistencies in policy for wage workless people compared to those working less than full time by comparing the wages of a weaver short of looms (two rather than four) to what his out of work brother might receive in unemployment payments. The 'irony', Tout argued (Standing Committee D, 1924, col. 94),<sup>65</sup> was 'that the man working all the time should be receiving less wages and actually paying contributions to the Unemployment Fund from which...his unemployed brother was paid'. Shaw acknowledged 'that the justice of the case is proved' (*ibid.*, col. 96), but responded to the amendments by, first, pointing to their 'considerable' costs (*ibid.*, p. 96) and, second, by suggesting that an act of parliament could not deal with the 'peculiarities' of particular industries. They would have to be addressed within their industries, by, for instance, 'some kind of minimum wage...guaranteed to the workers in it' (*ibid.*). Third, Shaw had an administrative objection to extending unemployment insurance to the part-employed:

How could we know whether a weaver had had two looms continuously for six days, or four days, or three days? Obviously we could not find this out without a tremendous accession of staff, and we should encounter the greatest administrative difficulties before we could satisfy ourselves as to the actual condition of affairs.<sup>66</sup>

The second and third arguments were of most interest to officials in 1935. The AWA countered the last argument by noting that in the case of unemployment allowances and public assistance 'there was already machinery for investigating earnings before allowances or relief were paid'.<sup>67</sup>

In addition to these points of principle and of administrative pragmatism, the response of officials was also structured through gender. So, for example, the UAB noted that the majority of weavers were women and that their 'earnings...even on two or three looms, are not abnormally low when compared with the earnings of women in many other industries'.<sup>68</sup> In other words, the low wages that women faced generally in the inter-war period as the consequence of employer and trade union discrimination were used to argue that the wages of female cotton weavers were not particularly problematic. Furthermore, the UAB noted that the possible counter to this argument – that the wages of female weavers 'go to augment the family income' – could be addressed by noting that the 'unemployment allowances and out relief are...based on household need'.<sup>69</sup> In many senses, this argument undermined the AWA case because in the past it had highlighted the familial nature of cotton production in Lancashire.<sup>70</sup>

It was clear that there was no appetite in central government for legislative change to allow the supplementation of cotton weavers' wages. Brown promised 'that he would go into the matter very carefully', but warned the deputation that 'he held strongly the view that wages must not be subsidised, and thought that it would be difficult to meet the case of the weavers without compromising that principle'.<sup>71</sup> There is no evidence that the matter was revisited for the deputation, although several years later the Minister of Labour was still protesting in a response to a parliamentary question raised by Labour MP (and member of the Central Committee of the AWA) George Tomlinson that 'it has not been possible to find any proper method of doing what the hon. Member suggests'.<sup>72</sup> As a consequence of the lack of action the AWA concluded that it was 'painfully apparent...that there is little hope of legislative action being taken by the Minister to mitigate the social consequence of this problem'.<sup>73</sup> Its attention, therefore, changed to demanding the introduction of a minimum wage. It had changed tack from a position where it was 'in complete and hearty agreement'<sup>74</sup> with Jewkes and Winterbottom's (1931, p. 646) assertion that the solution to the problem of under-employment in cotton weaving 'must come in some way from without the industry' to arguing that the solution must be found within it.

## **Conclusion**

This chapter has focused upon a second debate in the inter-war period about the potential payment of public assistance in the 1930s to cotton weavers considered to be in full-time wage work. Representations were made by both Lancashire's PAC and the AWA to the Westminster government to that effect. Once again drawing upon the myth of the Speenhamland Scale, the latter was unwilling to countenance a departure from the principle that people in full-time work should not be relieved, even if their income from their wage work, compared to public assistance scales, suggested they were destitute. While the Lancashire PAC, like many of the Norfolk boards of guardians in the 1920s, found ways of relieving the employed destitute (most notably through the use of food tickets in cases of sudden and urgent necessity), it was the case that such support could never bring

the full-time employed destitute weaver up to even public assistance scales and, as the AWA effectively argued, such relief effectively stigmatised them by making them pay for food via a technology of pauperism (the food ticket).

It would appear that both Lancashire's PAC and the AWA undermined their cases by also subscribing, outside the case of cotton weavers, to the Speenhamland Scale mythology. However, in both cases we can also see developments that were to gain greater purchase in future years. In the case of the Lancashire PAC we see an argument – that wage supplements might actually act as an incentive for people to do wage work – which turned upon its head the view contained in the 1834 Poor Law Commission report and which was embodied in law in the Poor Law Amendment Act 1834. In this interpretation wage supplements were held to potentially commodify the labour power of working people, rather decommodify it. In the case of the AWA, we see a weakening of trade union resistance to the supplementation of wages by the state. Wage supplements were difficult for trade unions because they implied some workers' unions could not negotiate a subsistence wage, let alone, as the call had been from some unions, a LW (see Chapter 10). Such views were to become more visible in the post-WWII period, to which we turn in the following chapters.

# 5

## Family Allowance, the Rediscovery of Poverty and Rejection of Means-tested Wage Supplements

### Introduction

The preceding three chapters focused upon wage supplements, poor relief and public assistance. They demonstrated that, while at local level ways were developed to support households where the breadwinner was in full-time wage work, central government was firmly against such a means of poverty relief, at least rhetorically, unless it was in exceptional circumstances. This chapter focuses upon the period between the final abolition of the poor law in 1948 and the mid-1960s. Despite ceasing its analysis in the mid-1960s, it is the first of two chapters to examine the introduction of family income supplement (FIS) in 1971. This is because the origins of FIS lie in the 'rediscovery of poverty' following the publication of Abel-Smith and Townsend's (1965), *The Poor and the Poorest*.

Over three sections this chapter focuses upon two issues. First, it examines the introduction of family allowance (FA) in 1948. Family allowance was not available solely to families (with at least two dependent children) where the breadwinner was in full-time wage work. Its introduction, however, was framed by a range of labour market concerns, which in many senses made it appear a wage supplement. The first section examines how the introduction of allowances for children in the Family Allowance Act 1945 might be understood as a means of subsidising wages. It contends that arguments supporting FA were located in a neoclassical economic orthodoxy, while subverting the poor law orthodoxy that supplementing full-time wages was deeply problematic.

The second issue examined is the effect of the rediscovery of poverty in encouraging a search for a policy development to address the family endowment issue of a relatively small number of full-time employed households (estimated at 160,000) whose income was below the relevant rate of social assistance (then National Assistance). In this context, the chapter focuses upon debates that resulted in the introduction of FA with clawback (or 'give and take' as it was described in policy making circles). It highlights that during this process several sources (such as Abel-Smith and Townsend, 1965, and the then Secretary of the National Assistance Board, NAB, Donald Sargent) suggested that a means-tested wage supplement should be introduced to address the below poverty level incomes of households where the

breadwinner was in full-time wage work. Such a course of action, however, was never really contemplated in debates that led to the introduction of increased FA with clawback. Chapter 6 picks up the analysis, explaining why such a means-tested wage supplement was not introduced by the Wilson Labour governments before examining the introduction of FIS by the 1970–74 Conservative Party government.

### **Family allowance and labour markets**

We have seen in previous chapters that the various central government bodies responsible for poor relief, and later public and unemployment assistance, were opposed to the idea of supplementing the wage of destitute people in full time wage work. Although local administrators often found ways around this opposition (for instance, providing relief in kind for sudden and urgent necessity), the view of central governments was that to routinely allow the supplementation of full-time wages would be economically and morally problematic. Such a view was carried forward when the poor law was finally abolished through the introduction of national assistance in 1948. During this process, it ‘was agreed that it was desirable to retain the prohibition against the grant of assistance to a person in full-time employment, save...in circumstances of sudden or urgent necessity’.<sup>1</sup> Furthermore, and following Beveridge (1942), the thrust of post-WWII social security provision in Britain was upon contingencies outside paid work (for example, unemployment, sickness and retirement). Beveridge’s focus, in an approach that had public support (Harris, 1996), was upon developing policies based upon social insurance principles to provide for those contingencies.

Beveridge though, recognised that if Want was to be abolished it was not enough to focus alone upon those contingencies outside of paid work and argued that the: ‘Abolition of Want requires...adjustment of incomes, in periods of earning as well as in interruption of earning, to family needs, that is to say, in one form or another it requires allowances for children.’ (Beveridge 1942, para. 13) This was because of a tension between Beveridge’s orthodox economic belief in marginal productivity theory, which meant he thought that wages should reflect the productive value to enterprises of individual workers *and* his desire to relieve subsistence needs. He noted, for example, that a ‘national minimum for families of every size cannot in practice be secured by a wage system, which must be based on the product of a man’s labour and not on the size of his family’ (*ibid.*, para. 411). Freely negotiated wages would not abolish Want.

In attempting to manage such dilemmas, Beveridge took a polar opposite view to the poor relief orthodoxy since 1834 on the payment of state-sponsored benefits while people were in full-time wage work. In brief, for Beveridge the payment of allowances for children, in contrast to demoralising working poor people, as had been argued in the 1834 Poor Law Commission report, could act, as we saw in Chapter 4 was argued by Lancashire’s PAC, to incentivise such people to do wage work. Allowances for children could act to commodify labour power. Beveridge’s membership of the Unemployment Insurance Statutory

Committee<sup>2</sup> (UISC) had arguably helped him to draw his conclusions (Land, 1975).

The Royal Commission on the Unemployment Insurance Fund report (Secretary of State for the Home Department, 1932), informed by Beatrice Webb's view of the temptations of working people to 'slack', argued that 'it is a rule of cardinal importance... that the amount of assistance in respect of unemployment... should be less than the wages of employment' (*ibid.*, para. 217). The reason for this was that if 'wages were assured, whether one worked or not, the concern for and about work would be notably diminished' (*ibid.*). In this context, the report repeated the need for financial less eligibility. People had to be fearful of the economic effects of wage worklessness if they were to do wage work. The reason that voluntary wage worklessness was rare, the Commission argued, was that 'the alternative to employment is wagelessness, and that, even with our present mitigations of that condition the situation of the wageless worker is definitely less eligible than that of the worker in employment' (*ibid.*).

Such a view, however, causes tensions in the provision of allowances for wage workless people who have dependent children, as such support has the potential to reduce less eligibility. Macnicol (1980), for instance, demonstrates how the maintenance of less eligibility became an increasing problem for the UISC, which was under various pressures in the 1930s. The insurance fund's surplus (by 1935 running at £290,000 a week) created pressure to increase allowances, which it had to keep above the level of unemployment assistance.<sup>3</sup> Each time the UAB increased its allowances – and the UAB itself was concerned about the potential effects on wage levels of increasing allowances (Macnicol, 1980, pp. 118–119) – the UISC had to increase its, while also attempting to keep them below wage levels. For Beveridge, the Chair of the UISC, there was an actuarial rather than a moral reason for the UISC to keep its benefit payments below wage levels – that 'the indemnity should never be allowed to exceed loss'.<sup>4</sup> In other words, people should not receive more from their insurance benefit payments than they would have received in wages. Hence, by 1935 the UISC was calling for a review of relationships between wages on the one hand, and insurance benefits and social assistance on the other. There was concern that 'the growing direct provision for families, under unemployment insurance and assistance, is beginning to raise acutely the general problem of dependency under a wage system which makes no similar provision'.<sup>5</sup>

It was within this context that Beveridge became convinced of the potential for children's allowances to overcome the tensions between need and less eligibility, or, as Pedersen (1993, p. 322) describes it, the 'wage-benefit overlap', by providing low-paid workers with dependent children with an incentive to take paid work. This was a view shared with some Conservative MPs (for example, Leo Amery, Duncan Sandys and Robert Boothby) and Eleanor Rathbone (Land, 1975; Macnicol, 1980). Beveridge (1942) clearly made the point in his report, *Social and Allied Services*, when he noted:

it is dangerous to allow benefit during unemployment or disability to equal or exceed earnings during work. But, without allowances for children, during

earning and not-earning alike, this danger cannot be avoided....The maintenance of employment – last and most important of the three assumptions of social security – will be impossible without greater fluidity of labour... To secure this, the gap between income during earning and during interruption of earning should be as large as possible for every man. It cannot be kept large for men with large families, except either by making their benefit in unemployment and disability inadequate, or by giving allowances for children in time of earning and not-earning alike. (*ibid.*, para. 412)

In addition to maintaining the financial incentive to work Beveridge (1944) later argued, following a broadly Keynesian approach, that children's allowances could also be understood as a having a role in maintaining full employment, a commitment to which, along with payment of children's allowance and a comprehensive health service, was one of the assumptions that underpinned his ideas for a post-WWII social security system. He noted, for example, that the 'redistribution of income that is involved in abolishing Want by Social Insurance *and children's allowances* will of itself be a potent force in helping to maintain demand for the products of industry, and so in preventing unemployment' (Beveridge, 1944, para. 279, emphasis added).

This was not the only reason why Beveridge argued that children's allowances should be introduced. In addition to the argument that Want could only be addressed if children's allowances were paid to people in wage work as wages did not, and could not, take account of family size, he also linked them to reproduction. His argument was that while it was unlikely that children's allowances would 'lead parents who do not desire children to rear children for gain' (Beveridge, 1942, para. 413), they might make 'it possible for parents who desire more children to bring them into the world without damaging the chances of those already born' (*ibid.*). In this sense, children's allowances might be a 'means of reversing the recent course of the birth rate' (*ibid.*). In post-WWII circumstances Beveridge's view was that reproduction among the working classes was desirable and to facilitate it the subsistence of families would have to be supplemented by the state. This view confirmed Beveridge's belief in marginal productivity theories of wages, for he was essentially arguing that, in the long run, the subsistence of families could not be guaranteed by wages alone.

It might be imagined that such arguments would have elicited support from those who were sympathetic to Beveridge's view of relationships between Want and the wage system. This, however, was not the case. Many on the left, particularly organised labour, were suspicious of children's allowances as being a means of holding down wages. They were not misdirected in this. Macnicol (1980, p. 33), for example, argues that Beveridge's motivation in persuading the Samuel Commission on the mining industry to accept FAs was that he saw such 'allowances as a means of facilitating wage-cuts he believed were essential to make the British coal industry competitive on world markets'. This observation needs to be understood in the context of Beveridge's belief at the time 'that rigidities in wages were directly responsible for the current recession [in mining]' (Harris, 1977, p. 338). Family allowances, therefore, were held to have

the potential of (re)introducing wage flexibility into mining by making 'possible wage-reductions during periods of depression, without endangering the health of the rising generation or penalising those in greatest need' (*ibid.*). Furthermore, Beveridge (1942, para. 423) noted in *Social Insurance and Allied Services* when rejecting the idea of paying children's allowance in the first six months or year of a young person earning a wage that such a policy was: 'open to the objection that it involves a subsidy to juvenile wages and would tend to keep them down'. It was only the strengthening position of the trade unions during WWII that persuaded them to accept FA, at least for the duration of the war (Land, 1975).

In many senses, the debate about the potential labour markets effects of FA had been framed by the interests of men. Trade unions, for example, were concerned with gender-specific class-based issues related to the FA, in particular, how it affected the wage position and bargaining of working class men. However, the greatest inspiration for FA was Eleanor Rathbone and her concerns were rooted in feminism. She located the desirability of FA within a gendered analysis of wage disparities. Her views of FA were informed by a concern with the wage differences between men and women. In particular, she was keen to challenge the (private) patriarchal nature of the demands for a family wage as made by trade unions and some social scientists (for example, Rowntree, 1918). For Rathbone (1924, p. viii), not only was such a wage highly inefficient,<sup>6</sup> more importantly, it construed 'the family not as it really is – an aggregate of individual human beings, each with an actual or potential value to the community – but as "the dependants" of the wage earner. The very word suggests something parasitic, accessory, non-essential.'

This view of the way in which women were constructed in the idea of the family wage, Rathbone's work suggested, acted as the barrier to 'equal pay for equal work' between men and women because its central tenet was that men should be paid more than women because they had families to support. If this barrier was to be addressed, it would be necessary to remove dependents from the way in which wages were conceptualised. To change the practice of sex discrimination in wages financial responsibility for children would have to be removed. In the words of Mary Stocks (1949, p. 63), there would have to be 'some method other than a freely negotiated wage for financing the reproduction process, by which the nation ensures survival from generation to generation'. By removing social reproduction from the way in which wages were conceptualised, there would be no reason (at least related to familialism) to justify higher wages for men compared to women. While such arguments were important for justice between men and women, it was also argued by Rathbone and the Family Endowment Society, that such an approach was important for wider notions of equity between households containing and not containing children.<sup>7</sup>

Rathbone's and the Family Endowment Society's gendered analysis was perceptive, but it was lost in subsequent debates about FA which focused upon the ways in which such benefits might constrain wages, rather than allowing greater equality in remuneration between men and women. However, the basis of her analysis – that the removal of concerns with social reproduction could have profound consequences for wage negotiations – was to reappear at various points,

devoid of its gendered potential, and argued to be a means of constraining wage demands in a general sense.

### **Introducing family allowance**

The introduction of FA is often argued to be the consequence of the Beveridge Report. However, it is the case that the principle of introducing it had been agreed by the government a year before, providing the idea was acceptable to the Beveridge Committee. Miller (2000, 138) argues that the government had ‘accepted Keynes’s reasoning that in addition to the social advantages, allowances would suppress inflationary wage demands’.<sup>8</sup> It is fair to say that not all were convinced of the wage restraint potential of FA. While the Family Endowment Society had good reason – it did not want to alienate organised labour – to argue that FA was unlikely to exert downward pressure on wages, it nevertheless argued that payment of FA to mothers meant ‘it obviates the allowances being regarded as an addition to wages, as they might well be if paid to the father’.<sup>9</sup> This claim was repeated many times in later years when financial support for families was being discussed within government. Similar to the Family Endowment Society position, payment to the mother was presented as being positive because it would reduce the perception that allowances for children were a means of subduing wage demands (Chapter 6). However, payment of allowances for children to mothers was later bemoaned when, following the supply-side revolution of the 1980s, there was a belief that a fall in real wages would be desirable to reduce unemployment (Chapters 7 and 8).

A few months before the publication of *Social Insurance and Allied Services*, the then Chancellor of the Exchequer (1942), Kingsley Wood, published a White Paper on FAs, which for *The Times* appeared to be ‘clearing the way “for a universal scheme of direct allowances”’ (cited in Land, 1975, p. 193), but for Macnicol (1980, p. 181) ‘could not have been a less encouraging document, reflecting Treasury hostility in general and [a] dry, administrative viewpoint in particular’. Wood’s memorandum, *Family Allowances* (Chancellor of the Exchequer, 1942), outlined the arguments supporting the introduction of FAs. These included the potential to reduce malnutrition in large families, thereby improving ‘health, efficiency and well-being’ (*ibid.*, para. 2), encouraging parenthood, providing some support for children that income tax payers received via tax reliefs for children, and reducing wage claims: ‘the difficulty of putting the parents of large families into a position to meet the increased cost of living by means of increased wages without increasing wages all round, and so setting up an inflationary movement’ (*ibid.*, para. 2). However, it also pointed to both the competing claims for public spending, ‘such as improved housing and increased educational and health services, which can only be provided collectively’ (*ibid.*, para. 4), and the fact that some ‘have not been convinced that they [FAs] can be introduced without affecting detrimentally collective bargaining in industry and without prejudicing wage negotiations’ (*ibid.*). The latter point was somewhat disingenuous given, as we have seen Miller (2000) argues, the government had been persuaded to introduce FA, partly

at least, because of their potential to constrain wages. It, and Woods' approach more generally – a recognition of the social embeddedness of the economic – was consistent though, with approaches in other countries considering FAs around the same time (for example New Zealand, see Chapter 11).

The memorandum's suggestion that a flat rate scheme of FA should be considered is of particular interest because it argued that it was only through such an approach that issues associated with allowances in aid of wages a century earlier could be addressed:

If the object of family allowances is to correct the effects of a wage system that pays little regard to family responsibilities, it may appear to be anomalous to give the same allowance whether the breadwinner earns, say, £3 or £4 a week, particularly as the allowance would in general leave the family income in the former case below the wages of the breadwinner, without any allowance, in the latter case. This line of thought would lead to an arrangement under which an assessment would be made for each family of the amount by which its income fell short of its needs, and the allowance paid would be the amount of the deficiency. Such an arrangement would, however, make the amount of his wages a matter of indifference to the low wage earner with a family, and this would lead to consequences similar to those which resulted from the wages subsidy associated with the name of Speenhamland. These consequences are avoided by a flat rate of allowance which would not vary with the amount of the family income so long as that income was within any limit fixed under the scheme. (*ibid.*, para. 7)

For Wood, therefore, a flat rate FA was the only means of avoiding the effects that means-tested allowances in aid of wages were argued a century earlier to have on wage levels. These financial incentive arguments dovetailed with one of the themes that underpinned Beveridge's ideas of social welfare, his 'lifelong belief in rational economic man (and, indeed, rational economic woman), who with very few exceptions would work if it were in his or her financial interest to do so' (Harris, 1994, p. 30).

It is within this set of ideas – Beveridge's incentive arguments and Wood's view that they did not pose a great risk to wage levels, an argument also accepted by the end of WWII by much organised labour – that a flat rate FA became accepted as a means of economic, rather than social intervention (Grover and Stewart, 2002). Macnicol (1980, p. 186) concludes that debates about Beveridge's ideas on FAs were crucial in the acceptance of a flat rate FA, but 'primarily as a means of holding down wages and combating inflation... [and] as a means of ensuring less eligibility, work incentives and labour mobility... it was the needs of the economy rather than children that dominated discussion'. After all, such concerns were central to the fact that Beveridge was 'always much less interested in the relief of poverty per se than in the kind of restructuring of the labour market that he hoped would ultimately make the relief of poverty unnecessary' (Harris, 1994, p. 32).

In debating the Family Allowance Bill 1945 Eleanor Rathbone told parliament the 'baby [FA] is a very little one. We feel that it will have to be a good deal fattened and cossetted before it reaches its proper stature' (House of Commons Debates, 1945a, col. 1418). Rathbone's disappointment with the level of FA was arguably a reflection of the fact that it would have had to have been introduced at subsistence level at least if it was to be successful in its social effects and in changing wages as a social practice which, as was seen above, Rathbone argued acted against equality between men and women. Beveridge had recommended a FA of 8s per week per child as a means of covering their subsistence needs (Veit-Wilson, 1992), but the figure of 5s (and no FA at all for the first child) was introduced as both a cost saving measure and a desire not to give the impression that the cost of social reproduction should be borne only by the state.<sup>10</sup>

By the end of the 1940s the situation in Britain was that national assistance, the replacement for public assistance, excluded people in full-time employment from receiving it, but a flat rate FA, albeit substantially below the level recommended by Beveridge, and excluding the first child was paid to mothers whether the household breadwinner was in or out of wage work. However, for the people who were out of wage work it was deducted as an income from their national assistance.

Despite its low level, a great deal of hope had been placed on the metaphorical shoulders of FA. Various sources argued that it would provide a means of:

- financially incentivising wage work;
- avoiding potentially inflationary wage increases;
- encouraging parenthood and, therefore, helping to address a declining birth rate;
- reducing anomalies between higher paid workers who received tax allowances for children and lower paid workers who, because they did not pay income tax, did not receive any state-sponsored support;
- addressing wage inequalities between men and women through reducing the need for demands for a family wage paid to men, and by providing an endowment for motherhood payable to women for their social reproduction work;
- tackling Want, or at least reducing the risks of malnutrition and its potential economic and social consequences among large families. (Rathbone, 1924; Keynes, 1940; Beveridge, 1942; Chancellor of the Exchequer, 1942)

Given these sometimes contradictory potentialities for FA, and the fact that they were structured through essentially orthodox economic concerns, it is perhaps not surprising that when the problem of wage poverty, particularly for households with dependent children, abruptly shattered post-WWII complacencies, they were, along with critiques of wage supplementation, to be central to discussions about future developments in social security policy.

### **Low wages and the rediscovery of poverty**

Harold Perkin (1989) notes that after post-WWII austerity gross domestic product rose by 2.6 per cent per annum in the 1950s and 2.8 per cent in the 1960s and living

standards doubled in real terms between 1946 and 1973. It was in this context in the mid-1960s that Abel-Smith and Townsend (1965, p. 9) argued that since the end of WWII one of the main economic assumptions that framed social policy beliefs in Britain was that poverty had been abolished. They pointed, for example, to the findings of Rowntree's (Rowntree and Lavers, 1951) third survey of York which suggested that poverty caused by low wages had virtually disappeared.<sup>11</sup> Rowntree and Lavers' (1951) survey also suggested that, had the social policy measures since the end of WWII not been introduced, over a fifth (22.2%) of families would have been in poverty in 1950, rather than less than a fortieth (2.77%).

These observations helped to inform Abel-Smith and Townsend's (1965, p. 9) view that a combination of an 'absence of mass unemployment, the steady increase in the employment of married women, the post-war improvements in the social services and the increase in real wages all seemed to point unequivocally to the virtual elimination of poverty, at least as it had been understood in the nineteen thirties'. Such confidence was most infamously expressed in the mid-1950s by the then Conservative Prime Minister, Harold Macmillan, who argued that 'most of our people have never had it so good' (Perkin, 1989, p. 419). Such ideas, however, were not consigned to the political right. In the aftermath of the 1959 general election, for example, Barbara Castle MP told the Labour Party Conference that 'the poverty and unemployment which we came into existence to fight have largely been conquered' (cited in Timmins, 1995, p. 255).

Such views, however, were 'blown apart' in the mid-1960s (*ibid.*) by the 'rediscovery of poverty', for which Abel-Smith and Townsend's (1965), *The Poor and the Poorest*, is in large part held responsible. While their work was criticised by civil servants at the time<sup>12</sup> and has subsequently been criticised for rediscovering inequality, rather than poverty (see Perkin, 1989, p. 279), it suggested that in 1953/54 7.8 per cent (four million people) and in 1960 14.2 per cent (7.5 million) of the UK's population were living below 140 per cent of the national assistance level. Most important, however, was that in both periods a significant proportion – a third (34.6%) in 1953/54 and 41 per cent in 1960 – of income poor people were living in households where the breadwinner was in full-time work. In both cases, these tended to be households with a relatively large number of children (at least four).

Abel-Smith and Townsend (1965, p. 65) had two possible solutions for this cause of poverty: a 'relatively expensive' approach of 'substantially increase[ing] family allowance, particularly for large families'; or 'at relatively low cost...allowing national assistance to be drawn despite the fact that the breadwinner is receiving full-time earnings' (*ibid.*). They acknowledged that this 'proposal would mean over-riding more than a century of conventional wisdom about incentives' (*ibid.*). However, they also noted that such a policy already existed in some states of the USA, often with support from trade unions and that 'the acceptance of this principle would make it possible to deal with the problem of poverty among "wage stopped"<sup>13</sup> families already receiving assistance and among large families with a breadwinner in full-time work' (*ibid.*, p. 65).

Abel-Smith and Townsend's (1965) work became important in the development of what became known as the Child Poverty Action Group, which was set up in

1965 'to consider what action ought to be taken to increase public awareness of poverty and to draw up a programme of action which would prevent and relieve it' (cited in Field, 1971, p. 146; see also Seyd, 1976, McCarthy, 1986). In its early days the CPAG's approach was described by Field (1971, p. 146, original italics) as '*Reform by memorandum*'. It was just such an instrument, accompanied by a letter to Prime Minister Harold Wilson, which aimed to draw the government's 'attention to the special problem of family poverty and to urge that action be taken ... to alleviate it at the earliest possible moment',<sup>14</sup> and that was to play a pivotal role in the search for a policy to help relieve the needs of households with full-time workers which had incomes below the then national assistance scale rates.

While noting that poverty is 'difficult to define',<sup>15</sup> the CPAG's memorandum took the then national assistance scale rates as its measure of poverty and suggested that there were at least half a million dependent children living in households with an income below this 'poverty line'. These included children living in households excluded from national assistance because they contained an adult in full-time wage work and households where, for various reasons, national assistance had been restricted. Essentially, the CPAG was arguing that poverty was not due to any individual's deficiency, but reflected problems with wage levels and the operation of the social security system which acted to restrict the level of social assistance through the wage stop (and later social insurance benefits through the benefit ceiling)<sup>16</sup> to what they might be expected to earn when in paid work, and restricted rent allowances where the rent was not considered reasonable.

It would be wrong to argue that the CPAG's memorandum of December 1965 was *the* cause of concern in central government with the poverty of families where the breadwinner was in full-time employment. A review of social security policy was already under way. As McCarthy (1986, p. 41) notes, it was announced in November 1964.<sup>17</sup> In addition, there was existing concern about the state of low wage households *vis-à-vis* the wage stop and rates of national assistance. The wage stop was defended by both Margaret (Peggy) Herbison (then Minister of Pensions and National Insurance) and the NAB, but it had caused the NAB concerns from 1959 when national assistance scale rates were increased substantially, a move described by Veit-Wilson (1999, p. 117; see also Minister of Pensions and National Insurance, 1959) as being from 'the minimum subsistence rationalisation of National Assistance benefits' to uprating 'in line with "increasing national prospects"'.<sup>18</sup>

The consequence of this was that the 'wage stop deduction, as a proportion of the total entitlement of a family, had been getting bigger' (Sir Kenneth Stowe, later Permanent Secretary at the DHSS, cited in Veit-Wilson, 1999, p. 118). This raised concerns from both outside and within the NAB.<sup>18</sup> For Donald Sargent, the problem was not the wage stop, but a lack of assistance to low-paid workers. He told Herbison, for example, that: 'If it [the wage stop] causes hardship it is the fault not of the rule but of the inadequate provision made for families of low wage earners.'<sup>19</sup> For Sargent, if 'no other solution can be found' to the issues raised by the wage stop, then 'it may become necessary seriously to consider the supplementation of low earnings'.<sup>20</sup>

Before the CPAG's 1965 *Memorandum* the government faced external and internal pressures to address the financial position of income poor households where the breadwinner was in full-time employment. In many senses, the problem was similar to that faced at the end of WWII. The only working age people whose income, beyond the flat rate FA from which, as we have noted, the first child was excluded, that was not related to family size were wage earners. This is important because while, as we have seen, it was argued that FA would need to be "fattened and cosseted before it reaches its proper structure" (Rathbone in House of Commons Debates, 1945a, col. 1418), in the immediate post-WWII period it was neither fattened, nor cosseted. Family allowance was increased to 8s per week in 1952, but in real terms families saw little benefit because of a contemporaneous 'removal of food subsidies' (Macnicol, 1980, p. 214). Four years later, in 1956, the amount of FA payable to the third and subsequent children was raised to 10s per week and the age up to which it could be claimed was increased from 16 to 18 years. This increase was also 'in fact associated (though not made publicly) with a further cut in food subsidies'.<sup>21</sup>

There were various policy and political reasons why FAs were so neglected in the 1950s and into the 1960s.<sup>22</sup> Pressures related to the earlier declining birth rate eased and a range of economic factors (for example, lower than expected unemployment, increasing average wages and rising levels of employment among married women) also acted to reduce pressure to do much about FAs (Macnicol, 1980). Meanwhile, increases in income tax child allowances meant that the income of tax payers was regularly adjusted to family size (*ibid.*). The relative neglect of FA in policy terms added to the pressure which encouraged the Labour Party government led by Harold Wilson to consider what might be done to address the problem of what was described as family endowment. Central to this debate was the consideration, but ultimately the rejection, of a means-tested wage supplement.

### **Supporting income poor working families: universal or selective developments to family allowance?**

As we have noted, the CPAG's memorandum of December 1965 was the catalyst for a search for a policy to support financially those people who were living in households with incomes below the national assistance level through what became known as the Review of Family Endowment. It was estimated by the Ministry of Social Security (1967, p. iv) that in the summer of 1966 there were half a million families (about 7%), containing up to 1.25 million children, who 'had incomes from earnings, contributory benefits, family allowances or other sources... amounting to less than would now be paid to a family which qualified for Supplementary Benefit'.<sup>23</sup> Of 'particular concern' to the Ministry of Social Security (*ibid.*) were those 'whose fathers were disqualified... from receiving national assistance because they were in full-time work, or who were receiving an allowance because they were unemployed or temporarily sick but who, because of the wage-stop, could not be paid enough to bridge the gap between their income and their requirements measured by the supplementary benefits standards'. These numbered 160,000.

It is fair to say that, despite sympathy among politicians,<sup>24</sup> there was never going to be a great shift in policy or a large injection of money to address poverty among households with dependent children with incomes below the relevant national assistance level.<sup>25</sup> The state of the public finances,<sup>26</sup> which were to deteriorate further in the second half of the 1960s when the government was forced to take deflationary action to manage a sterling crisis (see Oliver and Hamilton, 2007), acted against substantial developments. In particular, the Treasury was unwilling to countenance large amounts of additional expenditure for the poorest families.<sup>27</sup> To suggest, however, that opposition to higher levels of public expenditure on such families was just because of the economic situation in the second half of the 1960s would be to over-simplify the situation.

On the one hand, Wilson's government was under political pressure to do something for the poorest families whose breadwinner was in full-time work. Herbison felt it necessary to point out to Callaghan that: 'As the Party which claims to look after the underprivileged we are extremely vulnerable to attack unless something is done very soon to relieve a situation in which there may well be several hundred thousand children living below the national assistance level.'<sup>28</sup> Her words were arguably prophetic given Banting's (1979, p. 108; see also McCarthy, 1986, pp. 132–137) observation that because of an adjudged lack of action on child poverty matters in the run up to the 1970 general election the CPAG 'took off their gloves... [and] attacked the Government's social policy record and argued that the poor had essentially become poorer under Labour'.

On the other hand, we can draw from Banting's (1979) analysis at least two political issues operating against substantial increases in family endowment. First, he notes (*ibid.*, p. 91) 'conventional political wisdom insisted that family allowances were far less popular with the public than any other social benefit'. He cites Walley (1972, p. 180), who noted that 'family allowances so quickly and generally became accepted as a vote loser that, in the quarter of a century between 1945 and 1970, I do not recollect that either of the main political parties found courage at a General Election to promise to increase them'.<sup>29</sup> Second, Banting (1979, p. 97) argues that in the context of low economic growth Callaghan 'sensed the current public opinion turning against social spending and in favour of tax cuts'. Callaghan advocated a selective approach that had existed among some on the left for a number of years (for example, Crosland, 1956; for discussion, Harris, 2000) and which sluggish growth acted to make more attractive. The Labour Party manifesto for the 1964 general election noted that, beyond the introduction of an income guarantee for retirement pensioners (which never materialised – see Timmins, 1995), the 'key factor in determining the speed at which new and better levels of benefit can be introduced, will be at the rate at which the British economy can advance'.<sup>30</sup> In the second half of the 1960s Callaghan 'insisted that low growth meant that Labour must rethink many of its traditional attitudes towards the social services, including its dislike of means-testing' (Banting, 1979, p. 98).

Given these economic and political circumstances, the aim was to do something about family endowment as 'effectively and cheaply' as possible.<sup>31</sup> Despite Herbison's view that the solution to family endowment was in a universal increase

in FA for each eligible child,<sup>32</sup> from the outset a selective approach, whether through means-testing or through what eventually became known as clawback (increasing FA, but reducing the income tax child allowance to offset the increase in FA for better off families) was more likely to be introduced. What is interesting, however, is that the introduction of a means-tested wage supplement was never really countenanced as a viable policy option.<sup>33</sup> As was noted by the Inland Revenue: 'The simplest course would be to let National Assistance hand out extra family allowance in necessitous cases.'<sup>34</sup> The following chapter starts by exploring why this option was rejected.

## Conclusion

This chapter has focused upon developments and debates about relationships between wages, family size and poverty between the 1940s and 1960s. In the replacement of poor relief with national assistance in 1948 we saw that the exclusion of people in full-time work from such benefits was continued. The 1940s, however, also saw the introduction in Britain of a universal FA (excluding those families with only one dependent child). Family allowance was introduced, at least partially, because Beveridge, as the architect of the post-WWII welfare state, had become convinced that it could act as an incentive for people with low earning potential to do wage work. In doing so, Beveridge demonstrated his attachment to orthodox analyses of wages. For Beveridge people could only ever earn what the market deemed they were worth. This created a dilemma for him, as it was clear that for many people with dependent children wages would be inadequate to tackle Want. A universal FA, deducted from the social assistance of people not in wage work, provided an administrative means of trying to ensure a financial incentive to take wage work *and* providing protection against Want. A fear of a means-tested approach was equally located in orthodox economic arguments. This was eloquently expressed by the Chancellor of the Exchequer, Kingsley Wood, who drew, once again, on the mythology of the harmful effects on the wages and character of low-paid people of the Speenhamland Scale. There was, however, some inconsistency here, for as we have seen above, it was also the case that both Beveridge and Keynes felt FA was a way of restraining wage increases. While in this context FA may not have been perceived as a means of reducing real wages, it was understood as a way of limiting increases in relative wages.

Family allowance, however, did not fare well in the complacency that post-WWII economic expansion brought. That complacency, however, was shattered by the second half of the 1960s and, once again, the poverty of families with dependent children (defined as a proportion of the relevant national assistance scale rates) created a set of dilemmas for the Labour governments of Harold Wilson. This was because the search for a policy to address poverty level incomes was framed by a range of issues: administrative (how might wages be dealt with alongside the wage-stop? Would any development be 'abused' by recipients?); political (a perceived lack of popular, and, as a consequence, a lack of political support for

FA); and economic issues that acted against the development of anything other than a financially cheap family endowment policy.

It was the case that if wage poverty was to be addressed a possible way forward was the idea of paying national assistance to people in full-time work. However, initially at least, such an approach, and other means-tested possibilities, was not considered viable. In the following chapter we start by examining the objections to the development of financial support beyond the universal FA before going on to explore the introduction of FIS by Edward Heath's Conservative government in 1971.

# 6

## Family Income Supplement: Reintroducing Means-tested Wage Supplements

### Introduction

In the previous chapter we focused upon how, from the 'rediscovery of poverty' in the mid-1960s and under pressure from the newly formed CPAG, Wilson's Labour governments searched for a solution that was economically and politically agreeable to a party that we shall see in this chapter disagreed about the future of social security policy, particularly whether it should involve more means-testing or not.

Given that the the payment of FA – the main means of addressing a range of economic dilemmas, including those related to incentives to do wage work and addressing the poverty of people in such work – had been neglected in the post-WWII period, it is not surprising that by the mid-1960s concerns were being raised about a group of households, estimated to be 160,000, who, for various reasons, had incomes below the then social assistance level. This situation was caused by two factors. First, the operation of administrative devices (the wage stop and limited rent allowances) that acted to restrict the amount of financial support people outside of wage work could receive and, second, the payment of wages that were inadequate compared to their needs as assessed via supplementary benefit (SB) scale rates. The solution to the first – the abolition of the wage stop and adjusting rent allowance policies – would have been fairly simple had it not been for the continuing influence of the less eligibility principle of poor relief and a concern with the costs of social security benefits. The solution to the second was more complex because the logical solution (the payment of social assistance to people in wage work as a wage supplement) offended various politico-economic constituencies. The extension of state financial support for people in work offended many on the left as it was perceived as suggesting weakness in trade unions and, if it was to be affordable, was likely to involve the extension of means-testing. For many on the right the extension of in work financial support would, drawing upon the myth of the Speenhamland Scale, merely repeat the mistakes and difficulties of a more distant past.

This chapter focuses upon such issues by examining the introduction of FIS in 1971. The first section explores the reasons why the Wilson governments in the 1960s resisted the introduction of a direct supplement to wages by focusing upon

concerns with the extension of means-testing. The second section focuses upon Labour's preferred method of a give and take addition to FA, and the ways in which its introduction was structured by dissent, not least that of the Chancellor of the Exchequer, James Callaghan, in Wilson's second government.

The third section examines the introduction of FIS soon after the election of a Conservative Party government in 1970. It focuses upon how the development of FIS was, once again, structured by concerns with its potential impact upon wages, and the arguments that were used to counter such concerns. The fourth section examines the expansion of FIS between 1971 and its replacement in 1988 by FC. Family income supplement was supposed to be a short-term measure before the introduction of a tax credit scheme, but it actually had a fairly lengthy life and, despite its design as a limited measure, the number of people receiving it increased steadily. The fifth section examines the gender dimensions of the search in the late 1960s and early 1970s for a means of delivering more financial support to the poorest wage working families, suggesting that by the time FIS was introduced wage supplements were seen as a means of excluding married women from wage work.

### **Resisting means-tested wage supplements in the Wilson governments**

There are several reasons why means-tested wage supplementation was never really a policy contender during the Wilson government years. The Speenhamland Scale mythology had a great deal to do with this. For example, in response to the CPAG's memorandum of December 1965 it was noted by officials that it was surprising 'that the impressive battery of intellect represented on the [Child Poverty Action] Group do not mention...that the principles which would have to be discarded if the proposals were accepted are fundamental to the whole systems of (a) State relief of poverty and (b) taxation; and that discarding these principles would affect a much wider field than the financial relations between the state and the parents of children.'<sup>1</sup> In relation to the relief of poverty, the principles included 'that a man in full-time employment should not be able to obtain money from the State merely on the ground that his wages fall below a certain level'<sup>2</sup> and less eligibility (that 'the State should not pay people more to stay away from work than they would receive in wages if they were at work').<sup>3</sup> The former principle was argued to have been 'discarded by the poor law authority of Speenhamland... with disastrous results'.<sup>4</sup> In this context, it was argued that it was 'not sufficient' to give more support to low income families through redistribution from rich people to poor people by relying 'on the undoubted fact that the lowest paid forms of employment do not provide the means to maintain a large family without hardship'.<sup>5</sup> A moral argument could be made, but this would not be reliant upon the economics of low pay.

Such arguments might be criticised because they ignore the payment of FA that, as we have seen, Beveridge had recognised as a supplement to wages (Harris, 1977, p. 360). However, concerns about the possible consequences of wage supplements

were repeated throughout discussions on family endowment. For example, the MPNI, in its first paper for what became the Official Committee on Family Endowment, noted that: 'Since the Poor Law Amendment Act of 1834, it has been a fundamental principle of social security legislation in Britain that means-tested benefits should not be paid as a supplement to full-time earnings.'<sup>6</sup> The reason for this was that 'a man's earnings ought to be sufficient to maintain him and his dependants without supplementation. Otherwise it is feared, employers will pay inadequate wages in the knowledge that they will be supplemented, while the worker will have no incentive to increase his earnings if the only result is to reduce the supplement to which he is entitled'.<sup>7</sup> At the first meeting of the Official Committee on Family Endowment it was agreed that the supplementation of wages should not be pursued,<sup>8</sup> but that the MPNI and the NAB should 'consider in more detail the administrative implications of introducing a means-tested supplement to family allowances'.<sup>9</sup>

A paper outlining such possible schemes was written by Tony Lynes, then holding a 'junior position in the [MPNI's] new planning division', but soon to be Secretary of the CPAG (Banting, 1979, p. 87). The paper, however, started with a critique of wage supplementation. It argued, for example, that a system of wage supplementation 'would be/similar to the "Speenhamland" system under which, until its abolition by the Poor Law Amendment Act, 1834, the earnings of agricultural labourers were raised to a minimum level by the payment of outdoor relief'.<sup>10</sup> For Lynes, such a system was 'perhaps the cheapest' way of addressing the issue of families with incomes below the non-contributory benefit (NCB) scale rates despite being in full-time work. This was because it would focus 'expenditure...in the area of greatest need, while ensuring that no family need remain below the N.C.B level'.<sup>11</sup>

The paper, however, also outlined potential disadvantages with such an approach that were applicable not only to the direct supplementation of wages, but also 'to any proposal for a means-tested benefit to persons in full-time work'.<sup>12</sup> Some of these issues related to the problems that were held to exist with allowances in aid of wages. By the 1960s these were described as incentive issues and Lynes's fear was that the supplementation of wages 'would leave no incentive for those receiving it to increase their incomes unless they could raise them above the N.C.B level'.<sup>13</sup>

The importance of critiques of means-tested wage supplementation should not be overstated. This is because, not only is it possible to argue that FA was a subsidy to wages, but critiques of wage supplements were employed as much as critiques of means-testing, as they were a principled objection to supplementing wages. This was particularly so in the case of the Lynes paper, which was criticised as being 'slanted too much towards the difficulties of means-tested supplements and far too discouraging on the possibility of devising a viable scheme [of a means-tested supplement to FA]'.<sup>14</sup>

Indeed, interest in the idea of wage supplementation continued. For instance, a paper on the subject was produced for the Official Committee on Social Services

in August 1966. It, too, placed such a scheme in the context of potential affects upon wage levels:

there is the caution of how far any schemes for further supplementation of earnings are likely to affect wage levels generally and so be unacceptable to either, or both, sides of industry. Traditionally the objection to supplementing the wages of persons in full-time work has been that such a step would upset the normal methods of wage bargaining and might depress wage levels. Historically, this is what did happen at the beginning of the 19th century when wages were supplemented from parish funds; the result was that wage levels remained depressed and supplementation became a serious burden on the parish.<sup>15</sup>

The paper went on to note, however, that contemporary industrial relations and labour markets were likely to mitigate against any such developments: 'the bargaining power of trades unions is the first safe-guard and the second is the fact that only an insignificant proportion of the wage-earners in any particular community or any particular occupation could qualify for benefit under any of these schemes (though some categories in some parts of the country may contain a higher proportion than others).'<sup>16</sup> The paper outlined seven possible schemes for means-tested wage supplements:

1. allowing entitlement to SB for people in full-time work;
2. allowing entitlement to SB for people in full-time work, but reducing household requirements by a quarter;
3. allowing entitlement to SB for people in full-time work, but allowing entitlement to only three-quarters of due benefit;
4. a simplified SB scheme that would include similar benefit levels, but a simplified means-test and fewer trimmings (for example, no earnings disregards);
5. a simplified SB scheme, but with disregards to incentivise earnings;
6. a simplified means-test, but supplementation paid as a rent allowance;
7. a housing allowance scheme for those people excluded from SB because they were in full-time work and who had a child in full-time education and had an income below a proscribed amount each week.<sup>17</sup>

In addition, the Ministry of Social Security had a set of parameters to frame considerations of a means-tested scheme for dealing with family poverty. These were related to:

- cost: 'limited to a sum which will be containable within the public expenditure programme for benefits and assistance ... [a] figure of, say, £20m. including administration might be taken for immediate purposes';<sup>18</sup>

- coverage: that a majority (100,000 out of 180,000 households)<sup>19</sup> were covered and they would see a substantial reduction in income deficiency (for example, halving the average wage stop deduction, from 30s to 15s);<sup>20</sup>
- administration: 'every possible course should be taken to secure economy in administration, even at the price of some inequity in the handling of individual cases';<sup>21</sup>
- wages: it should 'have the minimum possible reaction on wage levels and the economy generally';<sup>22</sup>
- politics: the 'scheme should be seen to be (a) free from abuse, (b) dissociated from idlers and workshys, (c) not an inducement for poor families to breed more children and (d) not penalising the individual's efforts to help himself [sic]'.<sup>23</sup>

These parameters demonstrate the administrative and political concerns that existed with developing a means-tested scheme for families where the breadwinner was in full-time work. In an administrative sense, a balance had to be struck between cost and effectiveness. What this meant was that no scheme would have raised to above the SB level *all* those families estimated to be below it or raised the incomes of those people who were affected by it to the SB level. Furthermore, and arguably reflecting the concerns that existed with FA we have noted, it was clear that in a political sense it would be important to distance any policy from issues that appeared to suggest it would support people whose morality and/or lifestyle might bring the policy into disrepute. Hence, the concerns that a means-tested supplement might act to encourage income poor families to 'breed' and that it might offer the 'idlers and workshys' a disincentive to engage in paid employment. The comments said more about political and popular fears of income poor people than the potential to develop a coherent policy.

To ensure that these parameters were met, it was argued that the test of means should:

- be 'based on a means-test less elaborate than the Supplementary Benefits test' and should be related to a period 'much greater' than a week;<sup>24</sup>
- be pitched at a level lower than supplementary benefit as a cost saving measure;
- be tapered to help ensure financial work incentives;
- have a 'limit on the amount of benefit payable'<sup>25</sup> to act against income poor people having too many children;
- be claimed by the person in employment, with earnings and FA receipt being automatically verified;
- have a 'link between the benefit and either Family Allowance or rent, so as to dissociate it from supplementation of wages'.<sup>26</sup>

In these parameters are many of the characteristics of FIS, introduced in 1971. Indeed, given these parameters and characteristics, the Ministry of Social Security's preference in 1966 to help relieve the needs of families in wage work whose income

was below their SB level was for a simplified SB scheme, a means-tested FA or a means-tested rent allowance.

### The 'give and take' triumph

The Treasury and the Chancellor of the Exchequer were also in favour of a means-tested approach. In some ways, Callaghan had changed his view. Banting (1979, p. 94) argues that from the start Callaghan had 'strongly opposed the clawback and advanced a means-tested solution'. However, soon after the December 1965 CPAG memorandum he suggested a clawback-type scheme.<sup>27</sup> Callaghan was convinced by arguments offered against clawback schemes which included resistance from the Inland Revenue, whose civil servants pointed to concerns with equity within the tax system and fairness between those with and without familial responsibilities.<sup>28</sup> After the replacement of Douglas Houghton in January 1967 by Patrick Gordon Walker MP, Callaghan also had the support of the Minister Without Portfolio. With Walker, Callaghan asked Cabinet colleagues to support a direct aid approach that, among other things, included an 'income tested' supplement to FA.<sup>29</sup> However, as we have seen, Peggy Herbison was an ardent critic of means-testing<sup>30</sup> and she not only had the support of the Ministerial Social Services Committee, the majority of whom 'opposed... any "means-tested" schemes for families',<sup>31</sup> but also a 'vocal minority of backbench MPs, the CPAG<sup>32</sup> and the Trades Union Congress (Banting, 1979, pp. 100–01). Herbison's demand for a give and take scheme won the day, although Callaghan was not happy with the decision and the day after the Cabinet agreement on 'give and take' he was reported as being:

anxious to know how far it is necessary for the Ministry of Social Security to have the authority of Treasury Ministers before they incur this expenditure e.g. could he [the Chancellor of the Exchequer] simply refuse to sanction the financial memorandum attached to the Bill or alternatively the estimates when it moves forward. If it would be difficult for him to hold any necessary authority under either of these heads is there any other expenditure for which he would have to give authority which he can withhold. None of this is intended for any paper but merely as a possible ammunition in what the Chancellor sees as a long close hanging episode.<sup>33</sup>

The main argument for give and take was that the 'give' element (i.e. increased FA) would mean that Labour's preference for universal benefits would be upheld, while the 'take' element (the adjustment of tax allowances) would help with concerns with costs by focusing additional support upon those families with lower incomes. 'The effects', Douglas Houghton argued, 'would be broadly similar to that of a specific income test, but without the political and administrative objections attaching to such a test.'<sup>34</sup> For Herbison, social security policy was at a 'cross road'; 'to go down the means-tested road now, not only would this go against all we have ever preached on this subject; it would make it exceedingly difficult, if not impossible, to get back on the other [universal] – and I believe the

right – road’.<sup>35</sup> Herbison’s fear was that a means-tested family endowment scheme would inevitably lead to further means-testing in the future. She was perhaps pointing to the Treasury’s preference to subject all FA to means-testing.<sup>36</sup>

Give and take, however, was limited in that it redistributed income between income poor families with dependent children and such families with higher incomes. Single people and childless couples, and those whose children were no longer dependent for FA purposes, did not make a contribution to funding the policy. Moreover, Callaghan and Walker pointed out that give and take would bring more people (600,000) into the payment of income tax.<sup>37</sup> The concern here linked to what we have seen was Callaghan’s political concern with public spending. He argued, for instance, that: ‘People much prefer to retain money they have earned by their own hard work than to receive the same amount from the State.’<sup>38</sup>

Banting (1979, p. 108) argues that the introduction of the clawback system of FA was an innovation in British social policy as the ‘tax and benefit systems were linked for the first time... Clawback did legitimate a new principle in social and fiscal policy’. As it turned out and, as we shall see in later chapters, the closer integration of the benefit and tax systems would be a longer-term development. In the more immediate future, clawback, or more specifically problems held to be associated with it, was one of the reasons for the introduction in 1971 of a means-tested wage supplement by a Heath-led Conservative Party government.

After the decision in 1967 to go down the clawback route discussions about family endowment continued in the Wilson government through the Review of Family Support (chaired by Richard Crossman). Between February 1967 and 1970 several ideas were considered for delivering more money to income poor families excluded from receiving SB.<sup>39</sup> However, these were just discussions and any possible changes, not that any had been agreed, were lost to the General Election in May 1970. In many senses, the records of meetings, internal memoranda and papers give the impression that action, as it had been since 1965, was caught up in the tension of a desire to do something for income poor families in the context of a need for economy or, preferably, make savings in public expenditure.

These concerns were brought sharply into focus with a particular concern from 1968 about the level to which supplementary benefit had risen and its potential effects on incentives to take paid employment.<sup>40</sup> A simple solution that would have followed the Beveridge model was to increase FA further, with or without clawback. Increasing FA without clawback was deemed to be too expensive<sup>41</sup> and increasing it with clawback was problematised for its gendered redistribution (from male tax payers to female recipients of FA) and its drawing of more people into paying income tax.<sup>42</sup>

Such issues related to cost and gender were also a feature of the introduction of FIS which is examined in the following sections.

## **Family income supplement**

It is argued that the Heath government was a failure. Those on the right criticised it for economic and industrial U-turns ‘which produced both the economic

meltdown of 1973–74 and the two election humiliations of February and October 1974' (Holmes, 1997, p. ix), while those on the left castigated a government that introduced 'the social poison of the Industrial Relations Act 1971, waged class war against the miners and exhibited, in Mr Heath's own words, the "unacceptable face of capitalism"' (*ibid.*). While it might be argued (as indeed the CPAG did at the time (see Field, 1982; McCarthy, 1986) that the Heath government's policy for tackling poverty in households with a full-time worker was another failure, it can equally be argued that this was a continuation of the failures of the 1964–70 Wilson governments in this area. It also reflected both long- and short-term political developments that were framed by Conservative Party commitments in its 1970 General Election manifesto to 'reduce and reform taxation, giving first priority to reducing income tax so that people will keep a fairer reward for their work',<sup>43</sup> while simultaneously promising increased support for addressing child poverty:

We will tackle the problem of family poverty and ensure that adequate family allowances go to those families that need them. A scheme based upon negative income tax would allow benefits to be related to family need; other families would benefit by reduced taxation. The [previous Labour] Government has exaggerated the administrative problems involved, and we will make a real effort to find a practical solution. If this can be done, it will increase incentive [sic] for those at work, and bring much-needed help to children living in poverty.<sup>44</sup>

If the cost of the commitments to these two competing demands can be used to denote success, then the Heath government was far more successful at delivering tax cuts than it was at dealing with child poverty. McCarthy (1986), for example, notes that Anthony Barber (the Heath government's Chancellor of the Exchequer) 'returned to the taxpayer a sum of over £300 million in rebates and concessions', while, as we shall see, the Heath government's policy to address child poverty (FIS) was estimated to cost less than £10 million per year.

There are several points on child poverty to draw from the extract above from the 1970 Conservative Party manifesto. First, any solution to child poverty would be selective (FAs going to 'those families that need them'). The focus upon selectivity reflected the dislike of universal benefits and services that had existed within the Conservative Party for many years. Bochel (2010, p. 124), for instance, points to the importance of the One Nation Group within the post-WWII Conservative Party, the 'ideas of which have frequently been seen as underpinning the Conservative's approach to social policy through the 1950s and into the 1960s'. The group was set up by nine newly elected Conservative MPs in 1950, including Edward Heath, Iain Macleod and Enoch Powell. Bochel (*ibid.*, p. 127) argues that the One Nation Group have been associated with both 'progressive Conservatism' and 'arguments such as those for retrenchment of taxation and means-testing [which] have ... been traced through to Thatcherism'. It is the focus upon retrenchment and means-testing which is of interest here.

In the early 1950s Iain Macleod and Enoch Powell (1952) published a pamphlet, *The Social Services. Needs and Means*, that ‘bluntly stated the question to be asked was not “should a means-test be applied to a social service” but “why should any social service be provided without a means-test?”’ (Timmins, 1995, p. 250). Furthermore, McCarthy (1986, p. 143) notes that by the time of the 1964 General Election Edward Heath had been convinced of the need for ‘selectivity in the place of universalism in the social services’. These observations are important because in the run up to the 1970 General Election it was Heath and Macleod who promised the CPAG that, at least in the short-term, family poverty would be addressed through an extension of increases in FA with clawback (McCarthy, 1986, p. 150). In government, however, while the Conservatives were to pursue a selective approach to family poverty, it was to be via more of what we have seen described in 1967 by Callaghan and Walker as a ‘direct aid approach’, which involved a more easily recognisable means-test than that in Labour’s clawback.<sup>45</sup>

Second, the preferred method of the Heath government for addressing child poverty was to introduce a negative income tax, not only because it would be selective, but also because it would help to maintain the financial incentive to take paid employment. The introduction of a negative income tax was more difficult than had been envisioned and while the Heath government did issue a Green Paper on a *Tax Credit Scheme* (Chancellor of the Exchequer and Secretary of State for Social Services, 1972), it recognised that any such scheme would necessarily be long-term and the idea was lost to the election victory of a Labour Party government, led once again by Harold Wilson (Glennerster, 1973).

The Heath government recognised that it would need a short-term palliative for family poverty. This was to become known as FIS. There is some disagreement about its origins. Banting (1979) notes that FIS was similar to ‘Mr Abbott’s Alternative’ idea for a means-tested FA, while Hill (1993, p. 95) notes that the ‘idea [for FIS] was clearly taken off the “shelves” of the Treasury, as the Labour Chancellor, James Callaghan, had mooted it in 1967’. In the second reading debate about FIS in the House of Commons, former Labour Secretary of State for Social Services, Richard Crossman, helped construct the idea that FIS was essentially something thought up during the Wilson government years when he suggested that it was ‘an old friend of ours’ (House of Commons Debates, 1970a, col. 253). Given Crossman’s critiques<sup>46</sup> of FIS though, it was not a particularly good friend and one he did not really want to remember for, while Secretary of State for Social Services, he had argued he could not make it financially acceptable to the Treasury (*ibid.*). Indeed, he concluded that the Family Income Supplements Bill 1970 was a ‘dirty little Bill...and I am sorry that the Secretary of State has borrowed it’ (*ibid.*, col. 260).

These various sources are right to point to continuity in thinking about ways of selectively supporting families with dependent children. It is, however, difficult to pin down FIS to a particular scheme discussed in the previous five or so years. As we have seen, while there was little support from certain actors (notably Herbison and Houghton) in Wilson’s governments for a means-tested

solution to family endowment, it was nevertheless the case, as seen above, that officials had been considering such an approach from the early days following the CPAG's December 1965 memorandum. Alongside the Minister without Portfolio, Callaghan, in fact, put various possible means-tested schemes to Cabinet colleagues in 1967, one of which was a supplementary family allowance – described above as a direct aid approach – that would have delivered a means-tested addition to FA. It included support for the first child, but limited support to a maximum of three children in any one family.<sup>47</sup> Meanwhile, Mr Abbott's Alternative – which was described at the time as a take and give scheme – did have some of the features of FIS (for example, a simplified means-test and not taking into account housing costs), but it was a proposal that involved abolishing universal FA (taking) and compensating families with children in the upper half of incomes by increasing child tax relief and paying 'a "graduated FA" to the other half' (giving).<sup>48</sup>

At the time of the 1970 general election the issue of the future of a family endowment policy was being considered by the Working Group on Family Support, chaired by the then Secretary of State for Social Services, Richard Crossman. The committee was set up in February 1969 after Crossman had suggested to the Chancellor of the Exchequer, Roy Jenkins, that there was a need for a 'viable strategy for family support'.<sup>49</sup> Crossman was of 'the view that the way forward lies, not in a retreat from family allowances but, on the contrary, in their further development and refinement'.<sup>50</sup> This would have involved essentially an extension of FA with clawback. For Jenkins, however, there was a need to consider all possible ways forward and he suggested the setting up of what was to become the Working Group on Family Support.<sup>51</sup> At this point, although a supporter of clawback, Crossman was not a supporter of means-testing. A year later, however, and following the rejection of a further increase in FA with clawback to be introduced in April 1970 on the grounds of cost (£6 million), the Working Group on Family Support was considering a range of means-tested developments in family support.<sup>52</sup>

It was within this context that it was argued, like the Treasury had done four years before, that the 'simplest way of introducing means-tested benefits for families where the head is in full-time work would be to remove the ban on the payment of supplementary benefit'.<sup>53</sup> This would have represented the most 'direct approach for the problem of family poverty and in principle the cheapest', and would help address the 'little logic in refusing subsistence income only to the man whose earning power is sufficient to enable him to get into a full-time job but not sufficient to produce earnings appropriate to his needs'.<sup>54</sup> This, of course, was not the first time such a policy was suggested but, in this instance, the idea was criticised by drawing upon the Speenhamland Scale mythology, other than just pointing to its extension of means-testing.

Hence extending SB to people in full-time work was described 'not simply an extension of current practice but a revolutionary proposal'.<sup>55</sup> This was because it represented an 'overt abandonment of a widely held view which ... is much more than 150 years old, that a man (in the western world at least) should support his

family by his own labour alone, without help from others unless he is too ill or too old to do so'.<sup>56</sup> The idea of the proposal to pay social assistance to people in full-time work, therefore, represented what was described by officials as a 'revolutionary change of attitude'.<sup>57</sup> Long-standing concerns with the depression of wages and potential erosion of financial incentives to take wage work were raised about the proposal to extend SB to people in paid work. According to the paper *Means Tested Benefits*, outlining the proposal, the 'opportunity to depress wages at the expense of the taxpayer would not be uninhibited across the field'<sup>58</sup> because people earning less than their requirements would be:

scattered over a variety of jobs in each of which there will be much larger numbers who owing to smaller family commitments or lower housing costs would be above supplementary benefit standard and as needy as anyone else to press for the highest wages they can command; the employer could not in such cases discriminate against the minority with larger families or higher housing costs, and the pressure on him [sic] to increase rates of pay would not be significantly less because a minority of his workers were not interested in higher rates of pay.<sup>59</sup>

For others – those employed in public services, nationalised industries and in occupations covered by wages councils – the 'Government should, if it wished, be able to prevent undue depression of wages rates'.<sup>60</sup> This point, however, raised concerns about the wage intentions of:

Governments of all complexions ... [that] regard it as an important part of their job to keep down wage rates for all their industrial staff and the lower grades of the non-industrial classes. Local Government and the nationalised industries follow the same policy, with encouragement from the Government. ... the wages of the great mass of unskilled and semi-skilled workers in central Government and most of the nationalised industries tend to be the datum line for all workers in these categories.<sup>61</sup>

Second, fundamental questions were raised about whether a benefit essentially designed for wage workless people could be used for people in wage work:

the present SB scheme assumes that a fit man should be at work, should be pushed into work where possible and should have his benefit limited to what he can be expected to get when in work (the wage stop); in other words supplementary benefit for the unemployed is work and wage orientated. The proposals in the paper would completely reverse this and would make the position of (low paid) people in work supplementary benefit orientated.<sup>62</sup>

It might, of course, be argued, given the low proportion of people defined as unemployed receiving SB (a little over 16%) in June 1970,<sup>63</sup> that it was actually a benefit for those not expected to work. If this is the case, it was the operation of

the wage stop, as an administrative addendum to social assistance – and an inheritance from unemployment assistance – that made SB a benefit for unemployed people. But this view of SB as being a benefit for wage workless people, rather than people in wage work, was important because it was argued that if the latter were to receive SB they would ‘presumably... be put under the same obligation as the unemployed receiving benefit to register for work and to accept any reasonable offer of employment at a level at which would reduce or remove the need for benefit’.<sup>64</sup> While this idea is now central to universal credit (as we shall see in Chapter 9), in 1970 it was seen as problematic because ‘it would mean trying to evaluate whether a man could reasonably “better himself” if he tried – whatever “reasonably”, “better” and “tried” meant’.<sup>65</sup>

The idea then, of means-tested support was being closely considered at the time of the 1970 general election. Shortly after taking his place as the new Conservative Secretary of State for Social Services, Sir Keith Joseph met with officials to discuss the future of FA through which, as we have noted, the Conservative Party was committed to tackling family poverty. At that meeting the idea of increasing FA and the possibility of a means-tested supplement to FA were discussed. Joseph was informed of the benefits that officials saw in such a means-tested supplement (as a cheap and an effective way of raising people’s income to the SB level). In addition, officials suggested a means-tested scheme would reduce the ‘incentive for mothers to take paid work’, a claim that would later be made about various forms of wage supplements in various countries (see Chapters 8, 9, 10 and 11), and that ‘people with low earning power... would no longer have to accept a major reduction in benefit if they take full-time work’.<sup>66</sup> Potential problems with wage depression and reduced incentives were said, at least in the case of the former, to be ‘a good deal less serious than is generally supposed’<sup>67</sup> because of the issues raised in *Means Tested Benefits* discussed above. And reduced incentives to take paid work could be addressed through a tapered approach.

Given that alternatives (including a negative income tax and minimum wage) were deemed problematic – something that Crossman had also suggested to Jenkins eighteen months earlier<sup>68</sup> – an increase in FA with clawback ‘did not seem practicable’, and a housing allowance could not be introduced in the short-term, ‘the best prospect’ was a means-tested supplement to FA for those families where the breadwinner was in full-time employment, but whose income was nevertheless below what they would receive in SB.<sup>69</sup>

What was initially called supplementary family allowance did ‘not aim to be more than a rough-and-ready – one might almost say experimental – first step in this field’.<sup>70</sup> What this meant was that it had a limited means-test and did not involve any accommodation costs. Moreover, to preserve the financial incentive to increase earnings it would offer families 50 per cent of the amount that their income fell below a fixed make up level, equivalent to the relevant tax threshold, which itself was only based upon the child tax allowance for children under the age of eleven, no matter how old the children actually were. Initially at least, payments were to be limited to a maximum of £2 per week.

In FIS, therefore, it was economy, administrative simplicity and a desire to maintain work incentives that took precedence. The consequence was that FIS was exposed to the accusation, also made against a wage supplement scheme outlined by the Official Committee on Social Services that would have paid 75 per cent of a claimant's requirements, that 'having recognised a deficiency it deliberately failed to meet it in full'.<sup>71</sup> Such criticism was made of FIS when its detail was announced.

In introducing FIS the Heath government managed to secure opponents of all political persuasions. The left and social liberals accused it of doing little to help the poorest families whose breadwinner was in full-time work. They pointed, for example, to the neglect of familial need in FIS for a preference for economy and preserving work incentives, at least the incentive for breadwinners to take paid work. McCarthy (1986, p. 156), for example, points to the CPAG's strategy of attempting to demonstrate that FIS was 'inconsistent with Heath's post-election comment that his government's aim would be "not to divide, but to unite and, where there are differences, to bring reconciliation."' Given the means-tested nature of FIS, however, McCarthy (*ibid.*) suggests it could not 'be even loosely described' as bringing reconciliation. In addition, Frank Field, then Director of the CPAG, with David Piachaud (1971) pointed to the disincentives (what they called the poverty trap, discussed more fully below) that FIS seemed to bring when recipients attempted to earn more money. This was a point also made by the Labour Party, which condemned FIS as one of several reasons why poverty was increasing under the Heath government (see, for example, comments of Michael Meacher, House of Commons Debates, 1970b, col. 1279, 1971, col. 2098).

Meanwhile, the right and economic liberals also criticised FIS. Their concern, drawing upon the Speenhamland Scale myth, was that FIS would lead to depressed wages and demoralised workers. Perhaps the best expression of such opposition came in the second reading debate of the Family Income Supplements Bill 1970 when backbench Conservative MP Enoch Powell, who is better known for his Edbaston 'rivers of blood' speech, historically located his opposition to FIS:

The reformers in the 1830s were hard, harsh and, it seems to us, unimaginative men, who were called upon to end the system which had grown from its first beginnings in 1795. But at least they re-established a principle, a principle from which the bill decisively departs. It is the principle that it is an act of fateful consequence to pay relief – cash supplementation of income – to persons in full time employment; that it is something which is bound profoundly to distort the wage system and to frustrate the ambition – which seems to me to be almost indissoluble from the idea of a free society – that a man should receive as near as may be the full value of his work in cash. Sooner or later, and I fear it may be later, we shall have to return to that principle. (House of Commons Debates, 1970a, cols. 264–65)

Powell went on to suggest that while the bill introducing FIS would be voted for, 'many of those who vote for it or let it go through will live to regret what we have done' (*ibid.*, col. 265).

## FIS and some contradictions of means-testing

In December 1971 Frank Field and David Piachaud (1971, reprinted in Field, 1982) published a 'seminal article' in the *New Statesman* (Timmins, 1995, p. 284). It introduced the concept of the poverty trap, a situation whereby 'for millions of low paid workers very substantial pay increases have the absurd effect of increasing only marginally their family's net income and in some cases actually make the family worse off' (Field and Piachaud, 1971, p. 772). While the poverty trap was a seemingly new idea, it can be argued that it was a restatement of what we have seen in previous chapters to be long-standing concerns with the ways in which social policies might act upon the behaviour of working people.

Field and Piachaud's article was essentially a rallying call to trade unions to make FA 'as high a priority...as increased pay' (*ibid.*, p. 273). This was because Field and Piachaud (*ibid.*) argued that there were only two ways for unions to 'spring low members from the government's poverty trap': a 'not very hopeful prospect' of securing a 40 to 50 per cent wage increase for low paid workers; or 'insist[ing] that improvements in benefits should be a normal and important part of the annual wage negotiations' (*ibid.*). Field and Piachaud implied that such an approach was consistent with the CPAG's desired incomes policy<sup>72</sup> because it would mean that 'if the government concedes adequate increases in national insurance benefits and family allowances, wage supplements may be correspondingly reduced' (*ibid.*, p. 773). However, given that they noted the poverty trap was caused by both increasing taxation and losing means-tested benefits, there were, of course, further options, involving tax cuts, that were later to become more central to the relief of wage poverty.

The concern for the then government, however, was the effect that the idea of the poverty trap was having upon wage negotiations. Not surprisingly, given the ambivalence that trade unions had shown in the past to FA and their role in securing higher incomes for all workers (not just those with children), rather than pushing for increases in FA unions appeared to be using poverty trap arguments to negotiate wages upwards. So, for instance, in the autumn of 1972 Joseph warned that: 'Unions have pressed employers for large increases in gross pay for low paid groups on the grounds that large increases are necessary to yield reasonable increases in net pay.'<sup>73</sup> He noted that both the TUC and the press had raised concerns about the poverty trap. The latter, for example, took 'up the argument that £2 for low paid workers would yield negligible or even negative changes in net pay'.<sup>74</sup>

In such debates, the DHSS was keen to make the point that: 'Wages are essentially the rate for the job, and cannot take account of family circumstance.' In the neoclassical notion of wages as a price there was an important distinction between low pay and family poverty. The former was 'clearly relevant to pay negotiations', while the latter was 'best tackled through tax and social measures' that should be outside of such negotiations: 'It should not be the function of wage bargaining to compensate for changes or anomalies in the impact of taxation...and benefits.'<sup>75</sup> Such functions should be left to governments. The DHSS

attempted to reduce the effects of the poverty trap, or poverty surtax as it was also described, by increasing the length of time for which FIS was awarded from six to twelve months. This, it was argued, would mean 'there would be no loss at all of FIS following a pay increase because before the end of the twelve month FIS award period the entitlement level is likely to have been increased'.<sup>76</sup> This move, however, did not quieten critics of the Conservative Party government's targeted approach to addressing wage poverty through wage supplements on a means-tested basis. For the most vociferous critics it was only by increasing universal provision that the poverty trap could be dealt with, an argument, as we shall see, that went on well into the 1980s.

Family income supplement was only ever meant to be a policy for the short-term while a longer-term solution could be developed to help relieve, among other things, wage poverty. The Conservative Party's preferred long-term solution was a tax credit system, outlined in a Green Paper the year after the introduction of FIS (Chancellor of the Exchequer and Secretary of State for Social Services, 1972). It sought to bring together large parts of the personal taxation and social security systems by 'embody[ing] the socially valuable device of paying tax credits, to the extent that they are not used up against tax due, positively as a benefit' (*ibid.*, p. iii). The aim of the proposed tax credit system was to reduce the costs of administering the collection of taxes and the paying out of benefits. This was partly because the proposed tax credit would have reduced the need for means-testing, although it would not have abolished the need for SB as it would not have been sensitive enough to deal with the needs of families outside of wage work (*ibid.*, para. 92). It was, however, envisaged that tax credits would be able to deal with the poverty trap as it 'would substantially improve' financial incentives to increase earnings (*ibid.*, 5).

The introduction of tax credits, however, collapsed when Labour won the 1974 general election. The idea was disliked by its new Secretary of State for Social Services, Barbara Castle, who felt that 'it would do far less to relieve poverty ... than the expenditure of £1300 million on further reforms of Social Security',<sup>77</sup> although Labour Ministers equally disliked FIS.<sup>78</sup> Indeed, one of the main achievements of the 1974–79 Labour Party government was the introduction of a universal, non-means-tested child benefit (including the first child) as a replacement for the income tax child allowances and FA. It was to be paid directly to the mother and was later hailed by the Conservative Party (which supported its introduction) as a step in the direction of tax credits.<sup>79</sup>

### **Gender and selective wage supplements: from give and take to FIS**

We have seen that the focus in the second half of the 1960s was upon how a selective approach to further supplementing the wages of the income poorest families where the breadwinner was in full-time wage work might be developed. An important element in the discussion which framed this search for a new policy was consideration, although it was not conceptualised in such terms, of gender relations in (married) couple households. The principle, which had existed since

the introduction of FA in the 1940s, was that it should be paid to the mother.<sup>80</sup> This principle, however, was under scrutiny in the 1960s and into the 1970s when discussion of possible means-tested supplements (initially give and take and then FIS) to FA was taking place.

The debates took place at an ideological level, being framed by notions of the 'ordinary family of man and wife with children'<sup>81</sup> and later 'standard families'<sup>82</sup> where married men did full-time wage work, married women were wage workless and there was an equitable distribution of household resources. This view of 'the family' was consistent with the Beveridgean notion of 'men's apparent support of their wives [being] a lifelong obligation, [and] that married women normally did no or only negligible paid work' (Daly, 1994, p. 786). There was, for example, little recognition in such considerations of the increasing proportion of married women with dependent children in wage work and the material and power inequities which structured 'the family' (Joshi *et al.*, 1985; Wilson, 2006).

It was in this context that between 1966 and 1971 the gendered dimensions of the payment of FA and its possible means-tested extension were discussed. Over this period the debate shifted from a concern with a redistribution of resources from men to women in 1966 via the give and take of FA with clawback, through discussion of the redistribution of resources from women to men through the replacement of universal FA with tax credits attached to male earnings, to, in 1970, the potential of wage supplements to incentivise married women not to do wage work. All of these discussions were underpinned by a view of harmonious heterosexual familial life upon which the post-WWII social security system was premised. So, for example, in countering arguments from the Inland Revenue and the Treasury against the introduction of the give and take extension of FA,<sup>83</sup> it was noted by officials from the Ministry of Social Security that 'it is probably now the rule, rather than the exception, for married couples with children to decide their financial arrangements jointly'.<sup>84</sup> Similarly, it was argued in 1970 that in the majority of households 'it would not matter unduly whether payment [was] made to the father or the mother'.<sup>85</sup>

As a consequence, the issue of who received wage supplements from the state in married households was primarily held, marking continuity with arguments made in 1945 for the payment of FA to mothers,<sup>86</sup> to be a concern for a minority of households where parents, but especially fathers, were thought to be psychologically and/or morally deficient. Hence, there was reference in debates to a 'selfish type [father] who gave his wife as little as he could get away with'<sup>87</sup> and households 'where the father does not properly support the family, where he is a compulsive drinker or gambler or has no idea of money management'.<sup>88</sup> Both instances were used to argue for the payment of wage supplements to be made to the mother in married couple households. The deficiencies in a minority of men was conceptualised as being a class issue. It was, for example, argued that while 'it was likely there is now more sharing of information and joint planning of money matters in all classes of society, nevertheless there are some working class areas where traditional divisions of responsibility between husband and wife persist'<sup>89</sup>

and that those families with drunken, gambling husbands were ‘most likely to be found among the poorer families for whom the allowance [what was to become FIS] will cater’.<sup>90</sup> Hence, the discussions of gender drew upon, and helped to constitute, those views of income poor working class men as being a threat to moral and social order which had existed for many years and which were to be reinvigorated in the neoliberal turn in the discourses of ‘underclass,’ welfare dependency and social exclusion.

Pathological explanations of problematic men were required for justifying the continued payment of wage supplements to mothers. If the belief was that Britain was becoming a more equitably gendered society (for example, with households pooling resources and men in particular being more open about their earnings) then there would be little reason to continue the argument for family benefits to be paid to mothers. In this sense, policy on the gendered aspects of wage supplementation seemed to be driven by what was argued to be the situation in a minority of working class households, which were held to be lagging behind a perceived social liberalism and gender equality in the middle classes.

Such arguments – constructing what might be described as a ‘deficient breadwinner’ discourse – though, were not the only reason why it was argued that wage supplements should continue to be paid to wives.<sup>91</sup> There was a political argument that any attempts to remove payments from mothers ‘would meet much opposition from women’s organisations, who would argue... that the change would have undesirable social consequences; and that many social workers would support them’.<sup>92</sup> In addition, there were economic arguments, of which one contradicted the arguments of Keynes and Beveridge that FAs would reduce wage inflation pressures. It was argued, for instance, that the payment of FAs to mothers had the ‘advantage of making the supplement look less like a direct subsidy to low wages’.<sup>93</sup> This claim was repeated as a means of overcoming resistance to any extension in FA being paid to mothers, as it placed any potential development within the scope of the new scheme which, as we have seen, it was argued at this time should have the minimum effect upon wage levels.<sup>94</sup>

When in 1970 the newly elected Conservative Party government was considering the introduction of a means-tested supplement to FA (what was to become FIS), this economic argument was joined by a second – that one of the ‘beneficial effects’ of developing a means-tested supplement to FA was that the ‘incentive for mothers to take paid work would be reduced’.<sup>95</sup> Indeed, the new Secretary of State for Social Services, Keith Joseph, was keen to examine the idea that specific additional allowances for children under the age of five might be used to ‘encourage [their mothers] to stay at home’.<sup>96</sup> Such interest might be interpreted as an early indication of Joseph’s later concerns with the ‘cycle of deprivation’, but more likely reflected the fact that the 1960s and early 1970s were denoted by an ‘evident distaste for helping women with no economic “need” to earn money for themselves’ (Lewis, 2012, p. 273). Increasing wage supplements for the youngest children would have reduced that need.

With one exception, when it was argued that for women who did not do wage work FA contributed to their ‘independence and dignity’,<sup>97</sup> what was missing

from debates about developments in wage supplements between 1966 and 1971 was the issue of the control of familial resources which FA gave women as a means of attempting to counter the material and social privileges of men. In this sense, what was absent from debates about supplementing wages was their potential to contribute to the social and economic well-being of women.

## Conclusion

The importance of FIS cannot be underestimated in understanding the supplementation of wages by the state in Britain. It was the first time that a specific benefit had been introduced for which the main qualifying criteria was that the claimant was in full-time remunerative work (at least thirty hours per week), and their wages were so low that they fell below the state's definition of subsistence. It was, as Barker (1971, p. 70) notes, a 'radical departure... from any previous attempt in [Britain], at least in the recent past, to grapple with the problem of relating income to family size'. That said, its basis – that some workers with families could not earn even a subsistence wage – was familiar, framing, as we saw in Chapters 3 and 4 debates in the 1920s and 1930s about the possibility of supplementing the wages of particular groups of wage workers, and in Chapter 5 the development of FA.

The original pressure for the introduction of FIS came from the rediscovery of poverty in the 1960s. Given that FIS was such a meagre offering and that other explanations of FIS (see Jordan, 1973) suggest wider political economic concerns related to entry to the European Economic Community, this might seem controversial. However, Timmins (1995, chapter 14) is correct when he includes the introduction of FIS in what he describes as 'The Tories' last hurrah'. While it may have had continuity with the financial support administered by poor law and public assistance authorities in previous years in its meagreness, and its means-tested nature it was nevertheless a new benefit and the first time for 140 years that the wages of the poorest workers could, outside of exceptional circumstances, be legitimately supplemented.

Family income supplement was a small foray, especially when compared to what was to come in later years (discussed in the following chapters), in the supplementing of wages, but this was because of the way the debate had been framed from the late 1960s. The concern with wage poverty was defined narrowly with, for example, reference to social assistance rates plus 20 and 40 per cent (Abel-Smith and Townsend, 1965) and by reference to just social assistance rates in both the Wilson and Heath governments. In other words, FIS was only ever designed to address (and then not fully) the specific problem of households with below social assistance incomes. Political and economic considerations precluded anything beyond such a residual approach. These included concerns with the potential political economic impact of the means-tested extension of FA depending upon whom they were to be paid (husbands or wives). Such concerns were noticeable in that they did not consider the economic and social value of extended wage supplements for women compared to men. If anything, by the time FIS was introduced

the payment of wage supplements to women was conceptualised as a means of supporting the breadwinner wage model and discouraging women from doing wage work. In understanding the idea of wages as a social practice, wage supplements had become a means of excluding wives from labour markets, a means of decommodifying the labour power of such women.

In the 1980s, however, the context in which wage supplements operated was to change. Despite the political economic warnings being visible from the late 1960s/early 1970s, it was the 1980s which saw a return to Britain of mass unemployment, a phenomenon that was accompanied by a reconfiguration of wage supplements because of what was held to be their potential in reducing unemployment.

# 7

## Family Credit, Wage Suppression and the 'Think Tank'

### Introduction

This chapter focuses upon the introduction of FC in 1988 as a replacement for FIS. We saw in the previous chapter that FIS was designed as a rather meagre offering to both contain its costs and help to limit any potential it might have for reducing wages. Family credit was to be a major expansion of wage supplements, with an estimate that potentially a million households would qualify for it.<sup>1</sup> This compared to 199,000 households in receipt of FIS in 1985 (Dilnot and McCrae, 1999, table 1).

This chapter examines why the Thatcher governments, primarily understood as neoliberal in character and therefore concerned with freeing markets from institutional fetters, were seemingly willing to intervene in labour markets through an expanded wage supplement. To do this the chapter is divided into five sections. The first section examines continuity between the 1970–74 Conservative government and the Thatcher government elected in 1979. It focuses upon the importance placed in the 1979 Conservative Party manifesto on introducing a tax credit system designed to address a range of labour market issues and the difficulties that such a policy faced in a changing economic and social security environment. The second section examines labour market trends in the late 1970s and early 1980s, and the issues that these raised for the early Thatcher governments as they faced vociferous criticism from a range of policy actors and technicians about the perceived role of social security policy in creating high and stagnant levels of wage worklessness.

The third section focuses upon the 1982 report of the CPRS on unemployment. It examines the supply-side focus of the report and its suggestion that if unemployment was to be reduced wage supplements would be crucial as they would encourage people to take wage work at wages below the level they otherwise would have done. The effect of the CPRS report on policy development considerations is discussed. The fourth and fifth sections examine the CYPR of the Fowler reviews of social security policy from which FC emerged. The fourth section discusses the selective approach of the CYPR team and how developments to wage supplements related to that approach. The fifth section focuses upon the labour market

advantages which FC was held to bring, providing that the new benefit could be paid through the wage packet. The gender implications of this are discussed.

### **Back to the future? Early Thatcherism and tax credits**

Chapter 6 noted that FIS was supposed to be a short-term palliative before the introduction of a more comprehensive tax credit scheme, a version of which was outlined in a 1972 Green Paper, but that it was lost to the election of the 1974–79 Labour Party government. The 1979 Conservative Party manifesto, however, once again committed a Conservative government to introducing tax credits 'as and when resources become available'.<sup>2</sup> 'Meanwhile', the manifesto noted, 'we shall do all we can to find other ways to simplify the system, restore the incentive to work, reduce the poverty trap and bring more effective help to those in greatest need'.<sup>3</sup>

Whether the idea of a tax credit system was vigorously pursued in the early Thatcher governments is debatable. It was discussed in several exercises which considered various elements of the interaction between social security benefits and work incentive issues, but the impression, at least held by some DHSS officials, was that while it had not been completely rejected, it certainly was not favoured.<sup>4</sup> The ideas outlined in the Green Paper a decade before were arguably outdated in the changed conditions of the early 1980s. A policy that was designed to deal with the then relatively small problem of people receiving less in wages than they might in social assistance benefits, and a desire to reduce the use of means-tested benefits at a time when unemployment was about 2.5% (Department of Employment, 1985a, table 2, p. 276), looked archaic at a time when unemployment was rapidly rising (to 12.1% by November 1983 – Department of Employment, 1985b, table 2.2, p. S20) and the mass role of social assistance had been recognised in the 1976–78 Review of Social Security (DHSS, 1978). In the 1970s SB was not envisaged as being covered by tax credits because of the preference for targeted, rather than universal, financial support for the income poorest people (Chancellor of the Exchequer and Secretary of State for Social Services, 1972, para. 92). Furthermore, the cost of integrating tax and benefits should not be underestimated. The shift in economic paradigm towards monetarism in the early 1980s precluded large increases in expenditure on new forms of relief.

The 1979 Conservative Party manifesto was written before the very large increase in unemployment in the early 1980s. In fact, unemployment received remarkably scant coverage in it. It was only mentioned four times and unemployed only three. But even this coverage pointed to ways of thinking which were to be developed further with the massive rise in wage worklessness in the years of early Thatcher governments and which provided the basis (from about 1982) for radical Thatcherism (Jessop, 1994a). It included concerns with the size of the state and its costs, a focus upon creating new jobs rather than protecting old ones, and a focus upon the supply-side of unemployment, notably concerns with the incentives individuals should have to take wage work.

## Unemployment, income compression and work incentives

These issues became more pertinent as unemployment rose rapidly in the early 1980s (by 75% between 1980 and 1984, extrapolated from the Department of Employment, 1981, 1985b), peaking in 1986 at 3.1 million. Furthermore, in the early 1980s long-term unemployment (that of over a year) returned with a vengeance. By the autumn of 1983 37 per cent of officially defined unemployed people were recorded as being long-term unemployed (Department of Employment, 1983, table 2.5, p. S30).

Unemployment, however, was not evenly felt. There was, for example, a particularly sharp fall of about one-third in the number of people employed in manufacturing between 1979 and 1984 as it bore the brunt of the economic crisis (Peck and Jones, 1995, p. 1,366). Alongside declining manufacturing employment though, the number of people employed in the service sector increased by six per cent between 1979 and 1984, while overall the proportion of employed people working in the service sector increased from 55.2% to 62.4% (OPCS, 1982, table 4.9, 1986, table 4.11). The shift from manufacturing to services was undoubtedly encouraged by Thatcherism because its political economy prevented it from giving economic preference to the manufacturing sector (Lawson, 1993, p. 426). In addition, Thatcher governments were encouraged by the American experience of service sector growth in which people 'were prepared to take on simple jobs, such as carrying goods purchased in supermarkets to the customer's car, at prevailing market rates of pay' (*ibid.*, 1993, pp. 428–29). The future importance of 'McJobs' (see Goos and Manning, 2003; Lindsay and McQuaid, 2004) were pointed to by Margaret Thatcher: 'We must also expect that a lot more of our jobs will come from the service industry – from McDonalds and the Wimpeys, which employ a lot of people... There is a great industry in other people's pleasures.' (*Director*, September 1983, quoted in Thatcher, 1987, p. 59)

Thatcher's observations and the reality of increasing service sector employment are important for our purposes because such employment is closely associated with low wages (Low Pay Forum, 1988; Low Pay Unit (LPU), 1987; Wilkinson, 1992; Cox, 1995) and part-time employment (Harris and Taylor, 1978; Beechey and Perkins, 1987; Pollert, 1988; Rees, 1992; Blackwell, 1994). An economy premised upon low wages and/or part-time employment was both encouraging and problematic for Thatcher governments. On the one hand, such developments had the potential for workers to secure at least some form of wage work, important both politically and ideologically for Conservative governments. In the early 1980s, for example, part-time employment was felt to be the only glimmer of light in the gloom of increasing unemployment. On the other hand, given that the existing system of out of work benefits was essentially premised upon a full-time/no wage work dichotomy, such work might not have seemed financially attractive, particularly for those workers with dependent children. Furthermore, part-time wage work was ascribed as being female. This was reflected in the fact that between 1979 and 1984 the number of women in paid work increased by 0.6%. While this increase was small, it compared very well to the fall of eleven per cent of men in

employment between 1979 and 1984 (OPCS, 1982, table 4.9, 1986, table 4.11). The policy concern, therefore, was how people, particularly men, might be encouraged to take low-paid and/or part-time employment.<sup>5</sup>

Such considerations, however, took place in the ideological context of monetarism and a neoliberal preference for tax cuts, rather than reflationary spending to boost economic expansion. In brief, the issue was how unemployment might be reduced with little or no additional spending. The social security policy aspects of such concerns was considered by a number of groups of civil servants charged with thinking through ways of intervening to make the existing employment opportunities more financially attractive to the un- and under-employed. The view was not, as is often assumed with neoliberalism, that there should be no intervention, but how interventions might support supply-side understandings of unemployment in the context of constrained public spending. As Jessop (1994a, 1994b, 2002) and others (for example, Peck, 1996) have argued neoliberalism as a practice has involved state intervention, although in a different form and scale, compared to Keynesianism.

Between 1979 and 1982 there were at least four groups of civil servants – an *ad hoc* Group on Work Incentives and Income Compression,<sup>6</sup> the Official Group on Tax and Social Security,<sup>7</sup> the Review of the Relationship between Income Tax and National Insurance Contributions<sup>8</sup> and the Oglesby group on partial or part-time benefits<sup>9</sup> – examining relationships between social security and personal taxation, and their relationships to wage worklessness. In addition, in 1982/3 a Treasury and Civil Service Sub-Committee investigation into taxation and income support (the Meacher committee)<sup>10</sup> required officials from the DHSS, Inland Revenue and the Treasury to consider ways of improving the intersection between social security and tax policy.

While these groups examined different aspects of the tax/benefit systems and their impacts upon unemployment, there were commonalities, such as questioning the desirability of both taxing and paying benefits to the same people, and a concern with the financial incentive to take wage work at prevailing pay levels. Furthermore, these issues were understood through an approach that was increasingly techno-rationalist in nature. This approach used abstracted ideas about how unemployment may have been caused or prolonged by what were perceived as high out of work benefits, especially for those wage workless people with dependent children, and relatively low levels of income at which personal taxation was charged upon individuals. It was argued, for example, that:

the gap between the threshold for tax and benefit have [sic] been compressed. ... at the extreme, there can in some cases now be little difference between the incomes of those in work and those out of work (the unemployment trap); and some of those drawing means-tested benefits may derive little or no benefit from marginal increases in income. (the poverty trap)<sup>11</sup>

The view of Thatcher governments, as outlined in the 1979 election manifesto, was that for some people, notably those with dependent children, there was little

point in engaging in wage work, or increasing hours, because once means-tested benefits had been withdrawn and PAYE deducted there was very little difference in income. As *Social Security and Wage Poverty* has demonstrated, the idea that the collective provision of social welfare benefits and services has the potential to discourage wage work and the independence that is held to come with it has been one of the principle concerns with poverty relief for hundreds of years. While the social and economic context had changed by the early 1980s, the relationship between the state and individual was once again being questioned. And it was being questioned by a range of actors and institutions.

The first Thatcher government faced a barrage of criticism and comment related to financial incentives and wage work. These were perhaps best summed up in the idea of the 'why work syndrome,' a neologism that drew upon the title of back-bench Conservative MP, Ralph Howell's (1976, republished 1982; see also Howell, 1985) publication, *Why Work?* In it Howell argued that the intersection of the tax and benefit systems, theoretically at least, meant some people had little incentive to engage in wage work.<sup>12</sup> However, pressure also came from various tax and benefit economists and technicians, including Hermione Parker (1982), who was then Ralph Howell's researcher, Andrew Dilnot and Nick Morris (1981, 1983) from the Institute for Fiscal Studies, Professor A. B. Atkinson (1981, 1982; Atkinson and Fleming, 1978) of the London School of Economics and Professor Patrick Minford (1981; Minford et al., 1983) of Liverpool University. In addition, pressure groups, including the CPAG and the LPU, were complaining, often inconsistently, about the poverty trap, as were representatives of workers, such as the TUC.<sup>13</sup>

In the search for policies that would incentivise people to take work at prevailing wages civil servants considered a range of possible policy options that included various ways of developing FIS. These included: the merging of SB and FIS to create a benefit for low-income families both in and out of wage work;<sup>14</sup> the extension of FIS to part-time workers; making FIS more generous by changing the basis of its calculation from gross to net income; and extending FIS beyond households with dependent children. Various problems associated with such policies prevented their development. However, it was clear (and in contrast to the approach of the 1974–79 Labour government) that FIS (or at least a version of it) was seen as being a permanent feature of social security policy by the early 1980s<sup>15</sup> and, despite its drawbacks (such as its contribution to the poverty trap and its low take-up), that it had the potential to contribute to policy developments which were consistent with the neoliberal focus upon the supply-side. Wage supplements were losing their association with a minority of people with extremely low in work incomes and were emerging as a potential way forward in addressing a range of socio-economic diswelfares associated with wage worklessness. This was to become particularly clear in the Central Policy Review Staff's (1982), *Report on Unemployment*.<sup>16</sup>

### **The think tank, unemployment and wage supplements**

As we have noted, Thatcherism involved a shift in economic focus from the demand to the supply-side. It was only through intervening on the supply-side

that employer demand for workers could be increased. In order to tease out what the practical potentialities of this meant Thatcher asked the CPRS (also known as the 'think tank') to 'undertake a major study on the underlying causes of unemployment, the obstacles to improved competitiveness and the creation of new jobs and what measures the Government could take aimed at removing or reducing the obstacles'.<sup>17</sup>

The CPRS was set up by the 1970–74 Conservative Party government because Edward Heath wanted a unit 'to counteract the tendencies of parties once in power, to lose sight of the main objectives which they had set themselves in their manifestos' (James, 1986, p. 423; see also Lewis 2011). James (1986, pp. 423 and 437) argues that Thatcher turned the think tank 'into an increasingly partisan body', which 'was increasingly used as an advance party for the more radical ideas of hers and the Chancellor of Exchequer'. It was perhaps not surprising therefore that the paper it produced as a consequence of Thatcher's interest in ways to deal with wage worklessness was framed by a neoliberal focus upon ways of addressing supply-side rigidities, particularly the influence of trade unions, and the attitude of working people, especially those who were outside of wage work, to the types of such work they were willing to do and the wages for which they were willing to do it.

In an approach that is typical of orthodox economic explanations, the economic problems that Britain faced in the 1970s and into the 1980s were explained by a range of shocks – 'supply shocks' as they were described in the CPRS's analysis.<sup>18</sup> The CPRS argued that certain industrial jobs in Britain had been made obsolete by competition from newly industrialising countries, that increasing oil prices rendered energy-intensive industries uncompetitive and that increasing real interest rates made capital intensive industries unprofitable.<sup>19</sup> However, the report also argued that the job losses which were the consequence of these changes were exacerbated by unaffordable wage demands. There was, the CPRS contended, 'an unwillingness of labour unions... to accept a lower rate of advance of real wages'<sup>20</sup> and, of working people more generally, that they had 'unrealistic real income aspirations'.<sup>21</sup> Demands for higher wages were claimed to be outstripping productivity growth, the consequence of which was an inflationary effect as employers attempted to offset higher than desirable wage increases by increasing prices. In turn, this 'frustrated the desire for higher wages'.<sup>22</sup>

The CPRS report also suggested that the 'sluggish adjustment of aspiration [of income]<sup>23</sup> was the consequence other institutionalised interferences in labour markets, such as: Wages Councils (see Chapter 10); employment protection legislation; a lack of competition due to near-monopolies in the private sector and monopolies in the public sector; and well developed internal labour markets within large companies.<sup>24</sup> Most important for us, however, was the report's focus upon the potential effects of out of wage work benefits. While, as we have seen, many individuals and organisations were making similar arguments at this time (from both left and right, and from the socially liberal to the economically liberal), the CPRS argued that increases in benefits in the late 1960s 'probably caused people to take existing vacancies more slowly'<sup>25</sup> and may have created

a 'wage floor' whereby 'employers may be reluctant to be seen to be paying less than the "family wage" (e.g. supplementary benefit level payable to a family man with two children)'.<sup>26</sup> There was empirical hesitancy in these claims, for example, 'no strong evidence'<sup>27</sup> in the case of the latter and the use of 'probably' in the former. Nevertheless, the solutions to such problems – what in the *Interim Report*<sup>28</sup> was described as the 'stickiness of wages' – were not hesitant.

This should not be surprising, for the CPRS's outlook was that 'other things being equal unemployment [could be] rising rather than falling for the rest of the decade'. Hence the report argued: 'Other things must...not remain equal.'<sup>29</sup> In order to 'generate growth and employment in a non-inflationary way' what was required was an 'increase [in] the degree of flexibility and competition in [the UK's] economy'.<sup>30</sup> In this context, importance was placed upon expanding enterprise through small businesses and self-employment, not for their cultural role in shifting the UK's population on to a more entrepreneurial footing (on which see Lawson, 1993), but because 'there would be more entrepreneurs, more competition in product and service markets and more people whose wages, and working conditions are set by individual rather than collective bargaining'.<sup>31</sup>

While the report recognised that this was merely a 'restatement of existing government policy',<sup>32</sup> it also argued that 'working people at all levels' would have 'to be prepared to trade something whether it is their employment security, the stability of their pay or adherence to their accustomed tasks'.<sup>33</sup> While not using the term, later associated with Conservative Ministers and the economically liberal more generally,<sup>34</sup> the implication of the CPRS argument was that low pay was better than no pay, or, as the report put it, 'low pay or irregular work will usually be the lesser evil than having no job at all'.<sup>35</sup> However, the CPRS report did acknowledge that in a newly flexible economy there would be a continuing role for some social welfare protection, but it would have to 'further the aims of market flexibility'.<sup>36</sup> In this sense, social welfare interventions would have to work with markets, unlike existing policies which, the CPRS's analysis implied, acted against them.

It was in this context that the CPRS argued that wage supplements were likely to be crucial in the future: 'Wage supplements for heads of families in low wage jobs will be an important part of the approach. Only by breaking the linkage in public mind between low pay and family poverty will the public be brought to accept a substantially larger low wage sector.'<sup>37</sup> The CPRS was arguing that in the future the available jobs would be primarily low waged and wage supplements would be required to help incentivise people to take them – 'breaking the linkage...between low pay and family poverty'. In other words, governments would have to consider supplementing the difference between wages as a price and wages as a subsistence living.

For the CPRS, however, wage supplements also had the potential to help *create* employment through diminishing the wage floor. Here, the report was concerned with what others described as high replacement ratios and, in Ralph Howell's words, the 'why work' issue – that for some households there appeared to be little difference between out of wage work benefit income and income derived from

wages. The report suggested two ways of dealing with this. First, reducing out of wage work incomes by, for example, holding back the uprating of SB so that it only rose with earnings (or abandoning indexation altogether), or rendering the amount of support people on SB received with housing costs, particularly if, as was expected, rents were to increase faster than wages.

Second, the incomes of those people in low paid wage work could be increased through various measures. These included reducing personal taxation<sup>38</sup> and, more importantly for our purposes, 'strengthen[ing] the contribution of in-work benefits'.<sup>39</sup> The report noted that the family wage effect of the wage floor could be overcome if wage supplements, such as FIS, could be made more effective by, for instance, increasing take-up and increasing their role in pay bargaining. If, the report argued, 'in-work benefits were generally accepted as an earnings subsidy, the gross "family wage" employers would be expected to pay would be reduced to a level below earnings in even the lowest paid jobs'.<sup>40</sup> To do this FIS would have 'to become more automatic and to be regarded as part of the wage, [and] it will be necessary to bring employers more fully into its administration'.<sup>41</sup> In making these arguments the CPRS noted that FA was introduced in the 1940s as 'an effective means of reducing wage pressures for family men'.<sup>42</sup> While, as we saw in Chapter 5, such an view oversimplifies the development of FA, it was also argued in the CPRS report that the potential of FA to have similar potential in depressing wages in contemporary policy was limited because its universal basis meant that it would be too expensive – 'a 10p increase costs about £55 million'.<sup>43</sup>

The CPRS's preference for reducing wage worklessness was a selective approach to the supplementation of wages. A cost-effective way to 'encourage the acceptance of low paid jobs, reduce upward wage pressures for family men, increase incentives to seek work and facilitate the growth of part time employment' was to supplement low wages through means-tested benefits and, for part-time employment, allow people receiving SB 'to retain more of their earnings as their hours of work increase'.<sup>44</sup>

James (1986) argues that the relationship between the CPRS and state departments could be one of tension. In some senses, this was the case in its analysis of wage worklessness and potential, primarily supply-side, solutions to it. One DHSS official, for instance, found it 'not an easy task to comment on the issues of the [CPRS's] report [on unemployment] when much of the content is distasteful or, in the eyes of some of us, questionable'.<sup>45</sup> What was particularly problematic for the DHSS were some of the claims that the CPRS report made about the level of out of wage work benefits in Britain – that, for example, a 'considerable body of opinion is convinced that (a) out of work benefits in the UK are not high<sup>46</sup> and (b) the "possible remedies" which are then dealt with in the report are based upon a false premise'.<sup>47</sup>

Hence the DHSS's view that a 'more potent cause of unemployment' than benefit rates was the 'lack of job opportunity'.<sup>48</sup> It also thought that a number of the CPRS's suggestions would be politically difficult (for example, reducing the level of out of wage work benefits), or very expensive (for instance, reducing the level of personal taxation), or were blunt instruments to address specific problems (for

example, it was noted that reducing benefits for wage worklessness people would 'make [the] majority, for whom [the] disincentive does not apply, worse, off'.<sup>49</sup> Furthermore, officials from other government departments, notably the Treasury, were unimpressed by what they saw as the narrowness of the report. The *Interim Report*, for example, was said to have 'no fundamental economic analysis and does hardly more than list ... different causes in a rather superficial way', and that, while labour market inefficiency 'is an important subject', 'there is a mismatch between the discussion of the causes and the discussion of the remedies, because the causes are wider than labour market efficiency'.<sup>50</sup> In particular, there was no indication in the *Interim Report* of how 'we encourage and assist the development of new industries, new products, in other words a structural change, offsetting the structural movement out of jobs in certain declining industries which is listed as one of the causes of unemployment'.<sup>51</sup> Such concerns were not addressed in the final report.

These criticisms of the CPRS's report, however, somewhat missed the point. Drawing upon the work of orthodox economists who were sympathetic to the supply-side revolution of Thatcherism, notably Patrick Minford, the CPRS produced a report that chimed with Thatcherite economic analysis.<sup>52</sup> Whether evidence could be supplied or not was not important. What was important was the development of ideas to reduce wage worklessness in ways that were consistent with the Thatcherite focus upon the supply-side. The message that the CPRS wanted to get across was that if wage worklessness was to fall then entry-level wages had to fall. To make the point, the CPRS even invoked the comments of Beveridge (1931) to suggest the public did not seem to understand that 'good things like high wages led to bad things like high unemployment'.<sup>53</sup>

Despite its criticisms, the DHSS had to think about the potential of existing forms of financial support for 'low paid families ... in the light of the analysis in the tax and benefit chapter of the CPRS report'.<sup>54</sup> In particular, the then Director of the No. 10 Policy Unit, Ferdinand Mount, was not convinced that 'an income support system characterised by low take-up, a failure to raise significant numbers of low paid families above their income entitlements out of work and long term marginal tax rates over 100%, could be [considered] the best of all worlds'.<sup>55</sup> For Mount, there was a case for an income-related second tier of CHB that would replace FIS and the additions paid for children in the SB scheme. The aim would be 'to move towards a system where child support was broadly the same and virtually automatic whether the low-income family was in work or unemployed. The unemployed person would then tend to compare wage offers with a benefit which covered only the needs of the family'.<sup>56</sup> While Mount was arguably ahead of the times, because it took another two decades and a Labour, rather than a Conservative, government (see Chapter 8) to reach such a point, what his ideas demonstrated was an acceptance of the CPRS report's central theme that social security benefits could be used as a supply-side intervention to address wage worklessness. Echoing the CPRS's view, Mount was more concerned that people had some wage work, rather than none at all. His preference, therefore, was for schemes

to help address the 'unemployment trap', rather than being too concerned with the 'poverty trap'.<sup>57</sup>

It was in the autumn of 1982, in the aftermath of the CPRS's report and the No. 10 Policy Unit's interest in potential developments in wage supplements, that a proposal, albeit different in structure to that introduced in 1988 but described as family credit, was explored. The proposed benefit – 'paid by employers to those in work on the basis of a tear-off voucher issued by us [the DHSS] in child benefit books, and offset against payments of PAYE [Pay As You Earn]'<sup>58</sup> – emerged from an exercise to 'consider how take-home pay for families might be increased without increasing public expenditure'.<sup>59</sup> The nil-cost restraint meant that 'the most appropriate method would be by way of family/child credit available to employed persons to be paid by employers and offset against payment of PAYE to Inland Revenue, i.e., revenue forgone'.<sup>60</sup>

This suggestion was one of several possible developments in family support that the DHSS outlined in two papers for the Ministerial Group on Unemployment (one about possible changes to CHB and the other possible changes in FIS). The paper on CHB outlined 'the objectives which Ministers wish to make progress towards'.<sup>61</sup> These objectives were concerned with the issues raised in the CPRS's report on wage worklessness – mitigation of the 'unemployment trap' and the easing of the 'poverty trap', 'reducing pressure on wage demands'<sup>62</sup> – and supporting the longer-term objective of developing a tax credit system outlined in the 1979 Conservative Party general election manifesto. The various suggestions, however, were deemed problematic on several levels. The Chancellor of the Exchequer (Geoffrey Howe), for example, was concerned that the preferred FIS option of reducing the withdrawal taper but widening its application would bring a minimum of at least a further half a million families into FIS (depending upon the level of the reduced taper) while reducing the level of the poverty trap. For Howe, that was 'by no means an unambiguous improvement in the poverty trap'.<sup>63</sup> Perhaps more concerning for Howe, such a move could be understood as a 'significant step in the direction of a benefit society',<sup>64</sup> the idea of which contradicted his view that the existing 'collectivist attitude' needed to be 'substituted by personal responsibility'.<sup>65</sup> In the case of CHB, Howe had administrative objections to the preferred development of adding a second tier to the existing universal CHB, as it would mean what was described elsewhere as churning<sup>66</sup> – 'one hand of Government giving money to families while another hand is taking it away'.<sup>67</sup> Given that, 'The Lady's not for Churning',<sup>68</sup> the views of the Chancellor of the Exchequer that neither the preferred option for FIS, nor CHB, seemed 'sufficiently attractive'<sup>69</sup> was enough to convince Thatcher 'not to pursue these child support proposals or the extension of FIS at the present time'.<sup>70</sup>

While Thatcher's view did stop interest in changing CHB, it did not stop interest in changing FIS. About six months later, for instance, the Treasury, concerned by the increasing number of FIS recipients and its changing nature 'from being a temporary benefit... [to] a permanent addition to the scene',<sup>71</sup> suggested an interdepartmental working group of the DHSS, Inland Revenue and the Treasury to examine it. The work of this group though, was overtaken

in 1984 by the Fowler reviews of social security, from which FC was to emerge as a replacement for FIS.

### Reviewing benefits for children and young people

The review of social security policy that took his name was described by Norman Fowler as being 'the most substantial examination of the social security system since the Beveridge report forty years ago' (House of Commons Debates, 1984a, col. 652). There can be little doubt that the four review teams which made up the overall review took, and heard, a lot of evidence,<sup>72</sup> but its comparison to the Beveridge report has been criticised on a number of grounds: that it was not independent;<sup>73</sup> that it lacked breadth because of its focus primarily upon means-tested benefits and lack of consideration of taxation issues;<sup>74</sup> and, unlike the Beveridge recommendations, the Fowler Reviews were to be on a nil-cost basis. If changes that involved additional expenditure were recommended, they would have to be paid for by savings from elsewhere, as young people were to find out to their detriment (Alcock, 1985; 1990; Ward, 1985; Deakin, 1987; Lister, 1991; Stewart and Stewart, 1988; Walker, 1986; Brown, 1990; Bennett, 1992; Grover and Stewart, 2002).

Our interest is in one of the reviews, the CYPR. Initially the CYPR was chaired by Rhodes Boyson (then Minister for Social Security), but he was replaced by Norman Fowler when he was made Minister of State for Northern Ireland in the autumn of 1984. As we have noted, the Fowler Reviews were criticised as not being independent. This was particularly so in the case of the CYPR. Boyson, for example, was a fervent supporter of free markets and, in his book *Down with the Poor* (Boyson, 1971, p. 5), he argued that a 'state which does for its citizens what they can do for themselves is an evil state; and a state which removes all choice and responsibility from its people... will create the irresponsible society'. It is perhaps unsurprising then that on his appointment as social security minister *The Sun* newspaper described him as 'the scourge of the scrounger' (cited in Boyson, 1995, p. 184). The CYPR had two other members, Barbara Shenfield (then Chair of the Women's Royal Voluntary Service) and Thomas Gordon Parry Rogers (Director of Personnel and Europe of the Plessey Company). While Shenfield was described as someone who had 'worked selflessly and tirelessly for the disadvantaged' (*Daily Telegraph*, 28 June 2004), in the early 1970s she had also been Deputy Chair of the Hayek initiated Mount Pelerin Society and later was a trustee of the right of centre Social Affairs Unit. She had also offered 'advice and information' for an Adam Smith Institute pamphlet (Ray Whitney MP, then Parliamentary Under Secretary of State for Health and Social Security, House of Commons Debates, 1984b, col. 1212) which, according to then Opposition MP, Gordon Brown (*ibid.*, col. 1206), 'advocate[d] the abolition not merely of child benefit but of the welfare state'. She was, as the *Daily Telegraph* (28 June 2004) described her, 'of robustly Right-wing views'. Parry Rogers was a long-time member of the Institute of Directors (IoD), an organisation that advances the case for business, and 'had to declare an interest when the Institute of Directors advocated the abolition of child benefit'<sup>75</sup>

(Gordon Brown MP, House of Commons Debates, 1984b, col. 1206). It is difficult therefore not to conclude that the membership of CYPR was weighted in favour of an approach that would be consistent with a neoliberal view of state–individual relationships that framed the ideas and practice of Thatcher governments. The review teams were each serviced by a small team of officials. In addition, a central review unit co-ordinated the work of all the reviews.

Our focus is upon that part of the CYPR's work which related to benefits for children under the age of sixteen, for it was in their deliberations on this subject that FC emerged as a policy to replace FIS. The CYPR terms of reference were: 'To review the present social security arrangements for giving financial help to families with children and to young people above school leaving age.'<sup>76</sup> To help meet its terms of reference the CYPR team invited evidence on several 'key themes', the most relevant of which to us, and those that elicited much comment, were:

- Whether entitlement to benefit should be conferred through contribution conditions, or on the basis of parents' income, or whether benefit should be financed directly from taxation and based on some other condition and residence, or some other criterion.
- What the general relationship should be between benefits provided when parents are out of work and when parents are employed. Whether benefits can be structured so as to reduce the effects of the poverty and unemployment traps.<sup>77</sup>

While the invitation for evidence suggested that the CYPR team had an open mind on potential developments in benefits for households with children under the age of sixteen, it had decided *before* it had received and taken any evidence that any additional help would be means-tested. In many senses, this should not be a surprise. As was clear long before the Fowler Reviews, a universal approach to delivering greater levels of financial support to families with dependent children was deemed unrealistic because of the cost. We saw this in the CPRS's report and it was estimated that abolishing the need for FIS through increasing CHB would cost £7.75 billion per annum.<sup>78</sup> The nil-cost basis of the Fowler reviews constrained what it was possible to do, although, as was pointed out in several submissions of evidence, if tax considerations had been included in the purview of the reviews nil-cost remit changes may have been easier.<sup>79</sup> Initially, the CYPR team 'did not take it as axiomatic that child benefit should be on a universal basis'.<sup>80</sup> Indeed, the CYPR was recorded as feeling that there was 'probably a need for support for poor families with children and an implicit responsibility for the health and welfare of children to be ensured as so far as practicable. But these objectives were not inconsistent with a selective approach.'<sup>81</sup>

It can be argued that what really was to be decided through the work of CYPR was the form that means-testing financial support for families with dependent children would take. There were various options that the CYPR team considered. Despite the above observations, making CHB wholly means-tested was never a serious option. This was because not only was it believed that such a development

would have done little to improve work incentives and was contrary to the desire to reduce direct taxation, but Fowler was also personally against such a development. He had been convinced by ‘horizontal equity’ arguments that favoured keeping at least some financial support universal.<sup>82</sup> A means-tested second tier addition to CHB, therefore, was always likely to be the consequence of the CYPR’s deliberations. And because FIS was essentially understood by the CYPR team as ‘in effect...income-related child support’,<sup>83</sup> it was always going to be central to the CYPR’s considerations.

In a number of papers for the CYPR team officials outlined the objectives and strengths and weaknesses of FIS. They argued that FIS was located in the tensions between the provision of out of wage work benefits for workless people and what has been described in this book as wages as a price. While making no judgement upon whether out of wage work benefits were set at an adequate level of subsistence, officials nevertheless noted that:

The need for FIS arises because families out-of-work, or who are in part time work, are guaranteed a minimum subsistence income by the supplementary benefits scheme. Under present rules, families in full-time work or near full-time work are not guaranteed a minimum subsistence income at all. The problem is most acute in the case of families with children because whereas supplementary benefit varies according to the number of children in the family, reflecting the greater needs of families with more children, wages do not, in general, vary with the number of children in a worker’s family.<sup>84</sup>

FIS was rightly located in the long historical tension in Britain between, on the one hand, wages as subsistence and, on the other hand, wages as a price, the consequence of which was that wages had rarely been adequate to support children. These observations of different ways of understanding wages, although not presented as such, challenged the central proposition of the CPR’s report on unemployment that a, so-called, ‘family wage’ was a major cause of unemployment. Family income supplement was held to be a means of attempting to address this historical issue by ‘ensur[ing] that at least most families with children who work full time...have an income which is not below a subsistence level defined by the supplementary benefit level’.<sup>85</sup> In a populist vein, one objective of FIS, therefore, was to address the ‘unfair’ situation of people in work having a disposable income below that of people who were not in paid work.<sup>86</sup> This approach was backward looking, to justifications for administrative mechanisms, such as the wage stop (Chapter 5), and was once again drawn upon by the 2010–15 Coalition government and from 2015 the Conservative government to justify the retrenchment of social security policy for the income poorest working age claimants.<sup>87</sup>

A second objective for FIS, officials suggested, was related to work incentives: ‘there must be some concern that the financial rewards for working and not working are similar, unemployed people will be less likely to search vigorously for new employment and self-employed people will be less likely to seek for

business'.<sup>88</sup> Hence, FIS was held to have the role of maintaining a differential – described elsewhere as 'clear water'<sup>89</sup> – between similar families in and out of wage work.

A third objective of FIS, described as following on from the work incentive objective, but as a 'rather more disputable objective', was to 'hold down or reduce wages and the prices of goods and services provided by the self-employed so as to increase employment'.<sup>90</sup> Such arguments had, as we have seen, origins in the work of Patrick Minford via the CPRS's 1982 report on wage worklessness.<sup>91</sup> However, officials noted that such an approach to understanding FIS was disputed on both principle ('that Government should attempt actively to reduce wages is rejected by some people on the grounds that it is unfair and will lead simply to lower incomes and not lower unemployment') and practice (that for various reasons, including the limited numbers of workers receiving it and poor take-up, it was unlikely to have such an effect).

The CYPR team, however, contradicted this view of FIS as a means of suppressing wage inflation, even if only theoretically, when it:

accepted that in some instances wages might be low in relation to family commitments... However, they [the CYPR team] saw dangers in a large scale expansion of in-work income support. It seemed doubtful in principle whether the taxpayer should be subsidising wage rates and there was some danger of the benefit system developing by that means into a mechanism which employers might use to hold down wage rates artificially.<sup>92</sup>

In effect, the CYPR team was repeating concerns with the Speenhamland Scale described in previous chapters. This was not surprising, for, as we have seen, not only had the idea been around for many years within policy circles, but it was also pointed out in evidence received by the CYPR team.<sup>93</sup>

## **Family credit**

As we have noted, what emerged as FC was located in tensions created by capitalism (particularly related to the (in)adequacy of wages for families with dependent children) and the dilemmas that these raise for governments. In this context, FC was held to have several advantages. As we shall see, the justification for the introduction of FC was essentially located in its perceived ability to address a range of economic dilemmas related to the financially poor situation of people in low-paid wage work. In other words, it was not the case that FC was only framed by its potential economic effects, but also how these related to the labour market situation of people in such work:

Since 1979 gross earnings have risen by only 2 per cent for the lowest decile compared with 16 per cent for the highest. But net income has gone down in real terms for many families on average earnings and below, compared with a 7 per cent increase in real terms for those on highest earnings, and non-take

up of means tested benefits has further worsened lowest-decile net income. (around minus 12 per cent for typical two-children families affected)<sup>94</sup>

The implications of these observations were the need for a 'more effective system ... to help relieve the poverty faced by these families'.<sup>95</sup> However, such 'soft' outcomes were never going to be enough to justify the introduction of a new benefit. Hence, what was described as 'an important new departure in social security which offers the possibility of increasing integration between the tax and benefit system'<sup>96</sup> was linked to the potential effects that stagnating and, in some cases, reducing real wages had upon the labour market decisions of wage workless people. In this context, FC was justified more on the grounds of its potential effects on labour market behaviour than its potential to address poverty. It was argued, for example, that FC would 'improve wage flexibility: we want more people able as well as willing to price themselves back into work'.<sup>97</sup> In this context, it was argued that FC would help 'to improve labour market flexibility in terms both of wage offer and wage acceptance'.<sup>98</sup> The consequence would be that it would 'help to relieve pressure on wages by increasing the take-home pay of low-paid family men'.<sup>99</sup> In addition to the possible effects upon wage levels it was also argued that FC would help to address the unemployment and poverty traps. The unemployment trap was deemed to be 'the more serious' of the two, while reducing the poverty trap was 'an important, but secondary objective'.<sup>100</sup> Indeed, a 'major prize' offered by FC was that it 'appeared to offer to get to the point where no family earning over £20 (or whatever lowest possible figure emerged) could be better off out of work than in work'.<sup>101</sup>

To have these desired labour market effects, as had been suggested a couple of years earlier in the CPRS's report on wage worklessness, it was argued that '[p]ayment through the wage packet is essential'.<sup>102</sup> This suggestion demonstrated the strength of the broader economic reasons for introducing FC for, in making such a suggestion, the up to then accepted position that financial support for children should be paid to mothers was sacrificed to the perceived need to strengthen the role of the pay packet in structuring the labour market decisions of both workers and employers. It was assumed in the Fowler reforms that in couple households the breadwinner would be male and, therefore, labour market decisions of men were to be located in a system of wage supplements that were framed by private patriarchal notions of dependency relationships that early advocates of allowances for children criticised (as we saw in Chapter 5).

Ironically, this was made clear in discussions of what was deemed the cultural importance of the wage packet as a means conferring independence. Overall, it was argued that the 'long-term objective should be to restore to the wage packet the full role of income support for the family'.<sup>103</sup> Payment of FC via the wage packet would, it was believed, 'bring home that the pay packet is the primary means of support for the family'.<sup>104</sup> In terms of wage flexibility, for example, it was argued that 'FIS has little or no effect because workers do not identify it as a wage support benefit. They see it as simply an additional child benefit paid to the wife'.<sup>105</sup>

The Green Paper, *Reform of Social Security* (Secretary of State for Social Services, 1985a, para. 8.10), which introduced FC to the public, noted that:

the Government propose to introduce a new approach to assist low-income families. Its objectives will be to provide extra support to these families in accordance with their needs; to ensure as far as possible that they are better off in work; and to see that they can achieve improvements in family income by greater effort without losing all the benefit because of high marginal tax rates. The new system – to be called Family Credit – will act both as an offset to tax and an addition to income for those on low earnings. The credit will ... be so structured as to be compatible with income support available to families with children not in work. To make employees aware of the full extent of the help they are receiving, the credit will be paid by employers through the pay packet. The employers will deduct the amount of benefit from the tax and national insurance payments and the effect for the wage earner will be that he will see his payments reduced and his income enhanced to reflect his family responsibilities.

The fact that the payment of FC via the wage packet would shift resources from women to men was highlighted several times during the Fowler Reviews,<sup>106</sup> and it soon became apparent after the Green Paper was published that there was substantial opposition to the idea. Only two per cent of responses to the Green Paper supported payment of FC via the wage packet. The vast majority of respondents (88%) opposed such payment. The remaining ten per cent thought the proposal was to pay CHB via the pay packet.<sup>107</sup> Of the 88 per cent who opposed payment of the FC via the pay packet a majority (69%) felt that 'the well-being of ... children could be adversely affected' by such a development.<sup>108</sup> A quarter (24%) felt that payment via the wage packet would 'encourage unscrupulous employers to keep down already low wages', with, for instance, the CPAG arguing it was appropriate only if FC was 'primarily ... an inducement to accept low wages'.<sup>109</sup> This point was also made by the Labour Party. Michael Meacher (then Shadow Secretary of State for Health and Social Services), for instance, argued in parliament that the:

real motive ... when they [government ministers] said that it would increase low-paid workers' awareness of total family income and therefore help tackle the unemployment trap. That is what it is all about. It is not a DHSS motive at all: it is a treasury motive which the Government seeks to impose for Treasury reasons. The aim is to make people accept work for low wages. It is nothing to do with family poverty and nothing to do with a policy of remedying the difficulties of low-paid workers. It has everything to do with pushing down wages lower. (House of Commons Debates, 1986a, col. 139)

As we have seen, Meacher was not wrong in this analysis. At least at the level of theoretical economics, the payment of greater levels of in work benefit to more

people should have acted to reduce wage levels. The Labour Opposition opposed FC because of the possible effects on wage levels, a position that changed with the election of Tony Blair-led Labour governments in the 1990s and 2000s, as we shall see in Chapter 8.

The Thatcher government had little problem with such effects because their aim was to increase the number of people in wage work, even if at a level of remuneration that required the payment of wage supplements. Indeed, the few respondents who supported the payment of FC through the wage packet made similar points. The IoD, for example, believed the ‘financial incentive to take paid work would be improved if payment was through the pay packet because it would be clearer by how much households would be made better off from increasing wage income’.<sup>110</sup> This was consistent with the IoD’s support for selective wage supplements, which, in the case of FIS it argued, ‘eases the unemployment trap and maintains the less-eligibility principle and thus serves to correct the fundamental anomaly that welfare support is too large a proportion of low pay’.<sup>111</sup>

Despite the overwhelming and vociferous criticism of the payment of FC via the pay packet, the government refused, at least initially, to shift its position. The White Paper, *Reform of Social Security. Programme for Action* (Secretary of State for Social Services, 1985b, para. 3.77), for example, countered arguments about the gendered nature of household income distribution, through classical liberalism. It did ‘not accept the proposition that...those in full time work on low earnings cannot be trusted to allocate their other resources responsibly within the family and must have the state do it for them’. However, during the committee stages, concerns with the gendered distribution of state benefits came not only from left leaning and socially liberal actors and organisations,<sup>112</sup> but also from the right (see comments of Conservative MP, Elaine Kellet-Bowman in House of Commons Debates, 1986b, col. 880). In his biography Fowler (1991, p. 222) notes this opposition and that even ‘the women’s Vice-Chairman of the Conservative Party, wanted payment to go direct to the mother. It was a policy aimed more towards the family than to employment, and I could see her point. With some regret we eventually changed our proposal so that Family Credit went straight to the mother.’ Given the arguments that had been made during the review process, Fowler’s regret undoubtedly relates to the lessening of the labour market potentialities of FC.

## Conclusion

This chapter has examined the introduction of FC in 1988 as a replacement for FIS. While unsurprisingly, given that it was means-tested, not all the estimated million households entitled to it claimed FIS. By the time tax credits were introduced in 1999, 784,000 households were nevertheless receiving it (Inland Revenue, 2000, table 1.1). This expansion of wage supplements, however, was not particularly controversial. Whereas FIS was deliberately restricted to be of benefit to the smallest possible number, FC was not constrained by such an approach. There are several reasons for this. First, the introduction of FC was not shackled

by what we saw in Chapters 5 and 6 was a narrow concern with the number of households with at least one adult in full-time work whose income was below the relevant social assistance (SB) level. Second, partly at least, FC was a response to dilemmas FIS helped to create because it was means-tested (the unemployment trap and to a lesser extent the poverty trap). In this sense, FC was not unusual in that it was a development to address issues raised by previous interventions. As was recognised at the time, if it were to be successful in doing this, the number of people who would be entitled to state-sponsored wage supplements would increase, as the level at which the elements of FC were paid and how it was withdrawn were adjusted to address the traps.

Third, and arguably the main reason, was that the development of FC was freed from concerns with the potential effects of wage supplements upon wages. Such potentialities, as we saw in Chapter 6, had constrained the size of FIS. However, by the time the 1980s were reached wage supplements were no longer seen as being problematic, at least among policy makers. Objections to such supplements two hundred years earlier were made by the ideological forebears of the politicians who were responsible for introducing FC in the 1980s. The CYPR team of the Fowler Reviews did express a concern that the introduction of a new wage supplement might depress wages. They were, however, swimming against a tide of an economic orthodoxy which suggested, in the context of high and rising wage worklessness, that it would be desirable if state-sponsored wage supplements had such an effect, as it would encourage workers to take jobs at lower wages they would not have considered previously and, because they could pay lower wages, it would encourage employers to take on more workers.

While it can be argued that concerns with the income of wage poor households were never lost sight of during the Fowler Reviews, it was nevertheless the labour market potentialities which made FC an attractive proposition to Thatcher governments. It seemed to offer a means of both helping to reduce wage worklessness via low paid jobs, while contemporaneously increasing the income of households where the breadwinner was in such wage work. Moreover, had FC been paid through the wage packet it would have helped to consolidate what was held to be the cultural importance of the wage as the reward for labour market effort and a denoting of the independence of the wage earner. What, of course, the expansion of wage supplements actually did was to confirm that an increasing number of people in wage work could not, despite their efforts, earn a subsistence income as defined by the government.

We have seen that payment via the wage packet was resisted by actors and institutions representing women's interests. Many Conservative women were against the payment of FC through the wage packet, but, initially at least, such a means of delivery was held to be central to the labour market potential of FC. On its own terms, shifting the payment of FIS from the wallet to the purse was problematic because, as was argued during the review process, to have an effect on wages, wage supplements would have to be seen as part of the wage, rather than as a payment to mothers to support children. However, the change in who FC was to be paid to was, arguably, equally related to a different aspect of Conservatism in regard to

relationships between (heterosexual) couple families and labour markets, that of encouraging women to remain at home by providing them with an income paid in addition to CHB. Such an approach had the potential to reinforce private patriarchal roles, while freeing up potential wage work for men. In the decade following the introduction of FC, however, there was also a concern with the opposite – encouraging some women (lone mothers) into wage work – that led to changes in FC. The following chapter starts at this point before going on to discuss the development of tax credits under Labour governments led by Tony Blair.

# 8

## Tax Credits, Wage Worklessness and Child Poverty

### Introduction

We saw in Chapter 6 that the Labour Party, when in government in the 1960s, faced disagreements about the principles – universalism or selectivity – upon which financial support for working poor people should be based. However, along with a rejection of a NMW in favour of collective free bargaining (First Secretary of State and Secretary of State for Employment and Productivity, 1969), the policy introduced, an increase in FA with a clawback through an increase in PAYE for all but the poorest families with dependent children, pointed to future hopes of conjoining, despite their different functions, the social security and tax systems. The introduction of CHB by the 1974–79 Labour Party government was then held up as an example of this conjoining by Conservative Party governments in the 1980s (see Chapter 7).

By the time the mid-1990s were reached the Labour Party's approach to wage poverty was marked by continuity and change. Concern with the poverty of people in wage work remained, as did a belief in addressing it through a more closely conjoined benefit and tax system. However, the Labour Party's position on the NMW had changed following a decade and a half of Conservative Party governments in which the powers of trade unions were severely constrained for political economic reasons related to the role that they were argued to have had in the fate of the 1971–74 Heath government and a neoliberal project that emphasised the need to remove what were deemed to be institutional fetters to the efficient operation of free markets (Chapter 7). Labour was now in favour of a NMW and, in what was described as a 'historic victory for the low paid',<sup>1</sup> it introduced Britain's first one in 1999. The combination of an expansion of wage supplements along with the introduction of the NMW was to become known as the 'making work pay' strategy. Despite the resistance to a NMW, the combination of regulated wages alongside benefits paid to people in wage work was not unknown within certain sections of the labour movement. It is no coincidence, for example, that the Chancellor of the Exchequer, Gordon Brown (1986) was very familiar with the ILP's 1920s policy, *Socialism in Our Time* (Brailsford *et al.*, 1926) which advocated such a policy for a range of economic and social reasons

(albeit with a universal FA and the social ownership of at least some areas of production).

This chapter focuses first, as context, upon the expansion of wage supplements under Conservative Party governments in the 1990s in ways that were held to be of benefit to particular constituencies of wage workless people (disabled people, lone mothers, and single people and childless couples) and, second, upon the introduction and development of tax credits, primarily in the first two of the 1997–2010 Labour Party governments. The chapter focuses upon the ways in which the ideas that informed the development of tax credits demonstrated a great deal of continuity with previous Conservative Party governments in relation to their economic potential, while also demonstrating change in their concern with child poverty. In addition, the chapter examines the gender implications of Labour's tax credits, which were argued to both underpin and undermine female dependency within couple households. The chapter suggests that tax credits were structured by fundamental tensions that meant it was always going to be difficult for a policy that, for economic reasons, was concerned with putting downward pressure on wages to tackle an issue (child poverty) which was increasingly associated with people in low-paid wage work. Even if the Labour Party had not lost the 2010 general election, the chapter suggests, it would not have met its target to abolish child poverty by 2020. This was not because the targets were too ambitious, but because, at best, the 1997–2010 Labour governments were not bold enough in their development of tax credits and, at worst, that they misunderstood the disjuncture of pursuing what should have been a much more clearly stated redistributive policy in a neoliberal economic project to which economic inequality is central. In brief, there was a tension in the 1997–2010 Labour governments in trying to graft concerns with social justice on to an economic project premised upon social injustice.

### **Conservative governments and the extension of wage supplements, 1990–97**

In the previous chapter we examined the introduction of FC, which, it was argued, was located in concerns about the level of wage worklessness in the 1980s and was developed, informed by a version of neoliberalism, as a means of reducing it. The focus in these discussions was upon those wage workless people officially defined as unemployed and who had dependent children. In the 1990s, however, attention shifted to two groups of claimants – disabled people and lone mothers – who, while not being defined as unemployed, were nevertheless in receipt of out of wage work social security benefits.

In the case of lone mothers, the main development in this period was a reduction in 1991 of qualifying hours for FC from twenty-four to sixteen and the introduction of a state contribution towards childcare costs (the childcare disregard); and in the case of disabled people, the introduction of the disability working allowance (DWA). In both instances, it might have been the case that there were potential financial savings to be had. However, it was

not clear that the shifting of wage workless people into work where their wages were supplemented by the state would result in any notable savings (Grover and Stewart, 2002). Cockett notes (2003), for example, that following its introduction the savings estimated for DWA were revised, resulting in an estimated net cost. Given these observations, it is necessary to look for reasons beyond cost for these two developments.

### **Lone mothers and reducing qualifying hours for family credit**

For lone mothers, in addition to issues discussed in the previous chapter regarding the supply of labour, there were socio-cultural reasons for reducing the qualifying hours for FC (Grover and Stewart, 2002). While this development had the effect of widening 'the scope [of FC] for all parents',<sup>2</sup> it was felt it was 'likely to be of particular importance to lone parents' (Tony Newton MP, Secretary of State for Social Security, House of Commons Debates, 1990a, col. 731). This was because it would 'make it much easier for parents to combine work with their responsibilities for children' (*ibid.*). The importance of this for lone mother headed families was in the suggestion that it would help to (re)introduce the children in such families to a role model attached to formal labour markets. The White Paper which outlined the reduction in FC qualifying hours, for instance, noted that 'if the period of dependence on Income Support<sup>3</sup> is reduced then the children themselves are likely to gain a more positive attitude to work and independence' (Lord Chancellor *et al.*, 1990, para. 6.1).

Grover and Stewart (2002) suggest that this development needs to be seen in the policy context of the time, which emphasised alleged problems the 'break-down' of 'the family' brought (c.f. Murray, 1990), but also in the context of the libertarian belief that the state could do little to prevent parents from splitting up, divorcing, or establishing a relationship in the first place (c.f. Lilley, 1995). In brief, there was an emphasis not only upon the importance of 'the family' transmitting the 'values and civilities' of late modern society (Willetts, 1993, p. 17), to which doing wage work was central, but also a recognition, that not all children would be raised in such a family. For Grover and Stewart (2002, p. 83, original italics), therefore, the change in qualifying hours for FC, alongside the introduction of the childcare disregard, 'were aimed at reconstructing...*public patriarchy*' by emphasising the need for women to be at least partly dependent upon wages and not just upon the state. And this was deemed to be good for their children.

### **Disability working allowance**

Cockett (2003) argues that: 'It is hard to say what the origins of DWA were.' However, by focusing upon the speeches and comments of Conservative Party Ministers in the House of Commons he suggests its origins were related to 'a genuine desire to try new ways of using the benefit system to help disabled people to work *if they wished*' (*ibid.*, p. 177, original italics). In this regard, for instance, he points to Tony Newton's comments when Secretary of State for Social Security that it was hoped what was then called disability employment credit (but which became DWA) would 'promote disabled people's independence by supporting

those who are in work or who would like to work and could, but whose earning capacity is low' (House of Commons Debates, 1990b, col. 944).

The focus upon low earning capacity reflected the wage as price approach that had framed previous wage supplements, such as FIS and FC, but in the case of DWA it was complicated by the model of disability which underpinned it. The Government (Secretary of State for Social Security and Minister of State for Social Security and the Disabled, 1990) used an individual model of disability<sup>4</sup> to suggest that the low wages of disabled people were due to the working patterns (fewer hours than able-bodied people) and 'lower rates of pay than other employees' paid to disabled people (*ibid.*, para. 2.14). In this context, the wage disadvantage of disabled people was explained as being due to their impairments, rather than the structural and institutional barriers they were facing in accessing wage work (see, for example, Dalley, 1991, Barnes, 2000, Roulstone, 2002).

In many senses, because the wage income of disabled people was lower than that of able-bodied people (Berthoud *et al.*, 1993) the concerns with financial incentives to take wage work, which had framed the introduction of FC, were exacerbated for disabled people (c.f. Secretary of State for Social Security and Minister of State for Social Security and the Disabled, 1990, para. 5.8). Hence, DWA was to fill a 'remaining gap in the existing structure of Social Security for disabled people... the absence of help targeted specifically on people who are only partially rather than wholly of capable of work' (*ibid.*, para. 5.11).

DWA was introduced in Schedule 3 of the Disability Living Allowance and Disability Working Allowance Act 1991. Like FIS in 1971, DWA was designed to benefit only a few of its potential recipients. Before its introduction, for instance, it was estimated that only a small number (50,000) of the 6.6 million disabled adults in Britain would qualify (Dalley, 1991; Drake, 1999). However, when it was replaced by the disabled persons tax credit (DPTC) in 1999 less than a third (15,000) of the original estimated recipients received it (Cockett, 2003). Despite claims to the contrary (for example, Cockett, 2003), DPTC was widely understood as a failure, with its limitations being related to overly restricted eligibility criteria, a lack of awareness and widespread discrimination by employers (Rowlingson and Berthoud, 1994, 1996).

### **Earnings top-up: wage supplements, single people and childless couples**

So far in *Social Security and Wage Poverty* the focus has been upon debates about, and the practice of, supplementing the wages of families with dependent children. Single people and childless couples have been notable by their absence. This might be surprising because, first, history is littered with examples of concerns with relationships between young people and labour markets (c.f. Pearson, 1983; Hendrick, 1990) and, second, with the return of mass unemployment in the 1980s it was clear that the majority of long-term unemployed people, who might have benefited most from strengthened incentives to take wage work, were single people and childless couples.<sup>5</sup>

However, up until the 1990s debates about wage supplements were focused upon families with dependent children.<sup>6</sup> The political reasons for this related to

the 'deservingness' of children (if not the adults) in income poor families, and economic reasons related to the fact that issues of work incentives are held to be of more importance in families with dependent children because of what has been described in this book as the dissonance between wages as a price and wages as a living.<sup>7</sup>

This is not to deny that governments have been concerned with the unemployment of single people and childless couples. Since the 1970s various make work schemes<sup>8</sup> and state subsidies for employers to reduce the wages of working people<sup>9</sup> have been aimed at young, and essentially single, people (see Finn, 1987; Bradley, 1995; Jeffs and Spence, 2000; Sunley *et al.*, 2001; Mezin, 2004). Furthermore, in the introduction of the DWA discussed above, the principle of paying wage supplements to households beyond those with dependent children had been introduced, for it was available to single persons and childless couples, providing the disability threshold was reached. A new benefit – earnings top-up (ETU) – was to extend this principle. It was introduced as a three-year pilot scheme from 1996.

Grover and Stewart (2002) locate the development of ETU in a concern informed by a politically mediated conservative analysis of relationships between wage worklessness and marriage (for example, Willetts, 1993; Lilley, 1995 on the politically mediated versions and Murray, 1990, 1994; Dennis and Erdos, 1993; Wilson, 1987; Morgan, 1995, for the original analysis). Such concerns related to claims about a shrinking marriageable pool of working class males and the state winning in a competition with the poor labour market position of such men to provide a breadwinner in lone mother headed households (Willetts, 1993; Lilley, 1995).

Economic concerns with the supply of labour and its potential effects upon wages found in the introduction of FC, however, were also visible in the development of ETU. Alistair Burt (then Minister for Social Security and Disabled People), for instance, told parliament (House of Commons Debates, 1995, col. 876):

When we look at the characteristics of unemployed people we find that 60 per cent of them – 1.35 million out of 2.32 million – are without dependent children. Experience shows that many of these will move back into work quickly, but it is apparent that some people still face disincentives to move into work. With their skills at their disposal, the income that they can command in work is not enough to provide an incentive to work.

The concern informing this focus upon the financial incentive to take wage work was, once again, with creating employment through constraining wages (Grover and Stewart, 2002; Lissenburgh *et al.*, 2001). Although complicated by the introduction of the NMW, the evidence suggests that one of the ETU pilot schemes (there were two variants) did indeed have the effect of constraining wages (Lissenburgh *et al.*, 2001). A decision not to roll out ETU, however, was taken before its evaluation was available. This was because of a landslide electoral victory in 1997 for the Labour Party. It had its own plans for a wage supplement for single people and childless couples as part of a tax credit replacement for FC.

## Labour governments and wage supplements

We have seen in various places in *Social Security and Wage Poverty* that the broader labour movement has had difficulty with the idea of state-sponsored wage supplements, primarily because of their potential effects upon wages secured through collective free bargaining. The Parliamentary Labour Party continued to problematise wage supplements into the 1980s with opposition to FC. For example, it was condemned by Michael Meacher MP (when Shadow Secretary for State for Social Security) as encouraging people to take low-paid waged work, an accusation that he also aimed at DWA (House of Commons Debates, 1990b, col. 945). Others in the Labour Party condemned FC as supporting ‘bad’ employers<sup>10</sup> and as a means of supporting a poorly performing economy.<sup>11</sup> Despite such arguments, Grover and Stewart (2002) point to the fact that by the mid 1990s, the Labour Party (for instance, Labour Party, 1995) had accepted the principle of wage supplementation by the state.

The Labour Party’s 1997 general election manifesto, *New Labour Because Britain Deserves Better*, noted that, if elected, a Labour government would ‘examine the interaction of the tax and benefit systems so that they can be streamlined and modernised, so as to fulfil our objectives of providing work incentives, reducing poverty and welfare dependency and strengthening community and family life’.<sup>12</sup> This demonstrated a great deal of continuity with the concerns of both previous Labour and Conservative governments with the interaction of the social security and taxation systems, and how this might act to the benefit or detriment of a range of socio-economic issues.

To fulfil its pledge on the tax/benefit system, and not for the only time (see Freud, 2007), the Labour Party commissioned a banker (Martin Taylor, then Chief Executive of Barclays PLC) to review it. The report by Taylor’s Task Force (Taylor, 1998, para. 1.06) focused upon work incentives, ‘not necessarily just financial, for individuals to move from welfare into work and incentives for employers to take them on’. Contrary to his general belief that the different objectives of the social security and tax systems, and their different units of assessment (households for social security and individuals for taxation) precluded their conjunction,<sup>13</sup> he suggested the replacement of FC with a tax credit (what turned out to be working families tax credit, WFTC).

For Taylor, the advantage of tax credits over social security benefits was that their payment would ‘associate ... in the recipient’s mind with the fact of working, a potentially valuable psychological change’ (*ibid.*, para. 1.22). In this instance, Taylor’s arguments were both backward looking (for instance, in the importance placed, as we saw in Chapter 7, on payment through the pay packet in the development of FC) and forward looking to the developing importance of behavioural economics in social policy (on which see Cromby and Willis, 2014). In a second distinct theme of continuity, Taylor (1998, para. 3.04) argued that the extant system of wage supplements did not sufficiently address the unemployment and poverty traps and that its potential was ‘blunted’ by its relatively low take-up (72% by 1997). In addition, Taylor argued that FC was hampered by an ‘insufficient recognition’ of in work costs (particularly childcare expenses), uncertainty about the level of in work income it provided, and how changes in circumstances might affect the amount received (*ibid.*).

Taking account of what would be many of Taylor recommendations,<sup>14</sup> it was announced in the 1997 Pre-Budget Statement (House of Commons Debates, 1997a, col. 776) that FC would be replaced by WFTC from 1999, along with a childcare tax credit (CCTC) to replace childcare disregard, and disabled person's tax credit (DPTC) as a replacement for DWA (see Strickland, 1998). These developments represented a major expansion of wage supplements, both in terms of their value for families and the number of families who would qualify for them. It was estimated, for example, that new tax credits would cost an additional £1.5 billion per annum, a 75% increase compared to the cost of FC, and that an additional 400,000 families would be eligible compared to FC (Blundell *et al.*, 2000). The increased costs and widening of receipt were due to WFTC having a higher wage threshold compared to FC before it was withdrawn (£90 per week compared to £79 per week), a shallower withdrawal taper (55% compared to 70%) and increased support with childcare expenses (Strickland, 1998).

Tax credit policy, however, moved rapidly, with it first being indicated in Treasury documents accompanying the 1999 Budget (HM Treasury, 1999b, para. 5.13), and announced as policy in the 2000 Budget (House of Commons Debates, 2000, col. 865, see also HM Treasury, 2000) that WFTC would be replaced by two new tax credits (WTC and CTC) from April 2003. At the same time, DPTC, the employment credit for the over 50s,<sup>15</sup> and the children's tax credit<sup>16</sup> were to be abolished. Disabled Person's Tax Credit was to be replaced by an enhanced premium as part of the structure of WTC and CTC, while the children's tax credit was replaced by a 'family element' in CTC 'in recognition of the responsibilities faced by families with children' (HM Treasury and Inland Revenue, 2002, para. A.5).

For McLaughlin *et al.* (2001, p. 166) the short-lived nature of WFTC meant it represented 'an experiment not so much in increasing the incomes of poor families, but rather in how or whether it is feasible politically and administratively in the UK to rechannel social security expenditure through the personal taxation system and thus explore incentives and take-up issues'. McLaughlin and colleagues were right to highlight that the new tax credits were a consolidation of wage supplements and the centrality of economic concerns to their development. The separation of WFTC into the WTC and CTC was important for at least two reasons. First, it denoted a separation of financial relief for children from that for adults. Second, it represented a further extension of wage supplementation as single people and childless couples would be able to claim WTC. While, as we have seen, by 2002 the idea of wage supplements for single people and childless couples was not new, WTC was the first nationally based wage supplement that could be claimed by *anyone* aged twenty-five or over providing that they were wage poor enough.

The government argued the two new tax credits had distinct roles, which justified the replacement of WFTC. The CTC was argued to be consistent with the aim of abolishing child poverty within a generation, which Prime Minister Tony Blair had announced in his 1999 Beveridge Memorial Speech (discussed below). In contrast, the WTC was argued to be concerned with maintaining and reinforcing financial incentives to do wage work (HM Treasury, 2000; Inland Revenue, 2001; HM Treasury and Inland Revenue, 2002). Making the distinction between these two roles was necessary, the government argued, because there had been

confusion for the public over these two issues in the WFTC (Paymaster General, Dawn Primarolo MP, Standing Committee A, 2002, col. 108). In fact, it is more realistic to argue that any confusion that existed was because the government almost exclusively focused upon work incentives in the development of WFTC (see HM Treasury, 1998). There was very little mention of supporting children and no mention of child poverty in the development of WFTC.

The government also felt that its two aims of addressing child poverty and reinforcing financial work incentives could only be achieved if the new tax credits had a particular gendered pattern of payment in couple households. The CTC, and support for childcare in the retained CCTC, was to be paid to the main carer, 'usually the mother' (Gordon Brown, Chancellor of the Exchequer, House of Commons Debates, 2001a, col. 835). In contrast, the WTC, following the arguments of Martin Taylor (1998, also evidence to Social Security Committee, 1998), was to be paid through the wage packet in the hope that the combination of a wage and WTC would demonstrate to (male) workers that 'work pays' and would encourage them to closely associate their enhanced incomes with their hard work (c.f. Inland Revenue, 2001; HM Treasury and Inland Revenue, 2002).

To suggest that the CTC was just concerned with issues related to child poverty would be misleading, for arguably it had an important role in the financial management of the transition between wage worklessness and wage work. In this transition there were held to be two important issues. First was the issue of financial incentives that we have seen have framed debates about, and the practice of, supplementing wages for many years – will people consider themselves to be financially better off in wage work compared to the receipt of out of work benefits? In the development of post-2003 tax credits the role of addressing the issue of tackling the 'vicious unemployment and poverty traps' (HM Treasury, 2001, p. 1) was assigned to the WTC.

Second, was the issue of managing the uncertainty that comes with the movement from low, but stable, out of wage work income to a more uncertain level of wage income when in work. The argument here was that there was often little indication of what level of income people would receive in wage work because of the interaction of wages and the tax and benefit systems. Empirically, this uncertainty had been demonstrated to be a substantial barrier to leaving wage worklessness for wage work (McLaughlin *et al.*, 1989; Shaw *et al.*, 1996; Finlayson and Marsh, 1998; Stafford *et al.*, 1998; Thomas *et al.*, 1999).

The CTC was important in this context because its main qualifying criterion was household income, rather than the employment status of adults in households. It, therefore, could be understood as a policy device to provide a modicum of financial security in the transition from the receipt of out of work benefits to wage work. As such, the CTC was held to establish 'for the first time a single system of income-related support for families with children, whether they are in or out of work. It bridges the gap between welfare and work.' (Dawn Primarolo MP, House of Commons Debates, 2001b, col. 599) In other words, it was thought that the CTC would encourage wage workless people into wage work by providing at least some stability in income between the two states.<sup>17</sup> This was felt to be particularly

important for lone mother headed families, which Labour Party governments in the 1990s and 2000s were keen to see competing for paid employment (Dawn Primarolo MP, Standing Committee A, 2002, col. 102).

The analysis for couple households was more complex. The gendered nature of power relations structuring the distribution of financial resources within 'the family' has an impact upon the argument that CTC provided financial support in the transition to paid employment. Given the arguments made below about the distribution of financial resources in 'the family', it might be that the CTC does not have the same function as it might in a lone mother headed household in managing the transition to paid employment. The issue then becomes one of whether the WTC could act as an adequate incentive to take paid employment. This was doubted (for example, Brewer *et al.*, 2001).

We have seen in previous chapters that concerns about the supplementation of wages on wage levels have existed for many years – part of what has been described as the myth of the Speenhamland Scale. In the development of tax credits, such concerns were expressed by Conservative MP Howard Flight who told parliament (House of Commons Debates, 2002, col. 1072):

I urge the Government to be a little suspicious of the CBI's [Confederation of British Industry] support for payment via the payroll. It is clear that that is attractive... There are attractions to employers in having pay subsidies, because they reduce the pressure to pay a proper rate for the job and exert downward pressures on rates of pay. If the Government ignore that... they do so at their peril and in the face of what is already happening.

Liberal Democrat MP David Heath commented later that: 'Any debate which has the spokesman for the Conservative Opposition standing at the Dispatch Box... expressing suspicion of the CBI shows that we live in a topsy-turvy world' (*ibid.*, col. 1088). Unfortunately, Heath did not know his social security history, for Flight's comments were consistent with the arguments made by previous Conservative MPs (see Chapter 6, for example, for the comments of Enoch Powell about FIS) and with his own economic liberal views.<sup>18</sup> Furthermore, they were ignorant of the fact, as we have seen, that from the early 1980s the idea in policy circles was that the purpose of wage supplements was to put downward pressure on wage levels.

## **Labour, the supply-side and tax credits**

For some the landslide victory of the Labour Party in 1997 held the promise of a reversal of the socio-economic transformation of Britain which had been affected by nearly eighteen years of Conservative government. Great Britain had become the exemplar of European neo-liberalism, and the return of social democrats seemed at least a partial end to that development. It did not take long for the Blair government to disappoint these hopes... rather than repealing the changes of the Thatcher years, labour took the neo-liberal transformation of Britain yet a step further. (Jessop, 2005, p. 1)

Jessop argues that while there were discontinuities between Labour Party governments first elected in 1997 and the Conservative governments of the 1980s and 1990s, there were also distinct continuities in what he describes as the 'neoliberal project'. Despite its historical roots in the Labour movement and the deep concern that some, most notably Gordon Brown MP (Chancellor of the Exchequer 1997–98; Prime Minister 2008–10), had with wage worklessness and its social consequences (Grover, 2009), it 'seems to have been content ... to administer much of Thatcherism's legacy in regard to ... neo-liberalism, as if considering their effects ... as ... mainly economically or politically irreversible *faits accomplis*' (Jessop, 2005, p. 6).

When the Labour Party was elected in 1997 it faced a number of economic dilemmas, most notably for our purposes large numbers of people officially defined as unemployed<sup>19</sup> and workless people, and stagnating real wages among undervalued labour,<sup>20</sup> trends that were also visible during the years of the Thatcher and Major governments. These phenomena were important, not just in an economic sense, but also because they had a range of social consequences, which even some Conservatives in their more considered analyses acknowledged (see, for instance, Willetts, 1993, Lilley, 1995). However, the dilemmas of high levels of wage worklessness and stagnating wages at the lower end of the earnings spectrum were located in wider analyses of the economic risks which particularly high rates of wage worklessness could bring to the national economy, especially in higher rates of wage inflation. Similar to the 1979–97 Conservative Party governments, a dilemma for Labour Party governments was one of how to increase the number of people in wage work and their incomes within a neoliberal framework that eschewed the possibility of the state becoming the employer of last resort and which at its core was fearful of wage inflation destroying the opportunity of developing economic conditions conducive to economic and wage work growth.

While 1997–2010 Labour Party governments were as equally concerned as previous Conservative Party governments with the wage work/inflation nexus (see Chapter 7), they were perhaps, and at risk of overstating the case, more convinced that state intervention could do something to increase the number of people in wage work while not igniting wage inflation. Labour governments were convinced they could reduce the non-accelerating inflation rate of unemployment (NAIRU), the level of wage worklessness at which it might be expected that wage inflation would increase.

In their approach, however, Labour Party governments were informed by a wage as price orthodoxy in, for example, the work of labour economist (and now Lord) Richard Layard (1997), who acted as an economic adviser to Blair governments. The central argument of Layard's work was that if wage inflation was to be held in check then just having a reserve army of wage worklessness labour (as, for example, Marx, 1976 had argued) was not enough. For Layard (1997), what was as important as wage worklessness was the closeness of the relationship between workless people and labour markets. He, for example, made the point (*ibid.*, p. 190) in relation to short-term and long-term wage worklessness:

In any economy there has to be some short-term unemployment to ease mobility and restrain wage pressure by providing employers with a pool of workers able to fill vacancies. But long-term unemployment appears to be largely useless as it exerts very little downward pressure on inflation.

Philpott (1997, p. 20) argues that this is because employers are reluctant to hire long-term wage workless people, rendering them 'virtually unemployable'. In such interpretations, it is only short-term wage worklessness that has the effect of maintaining downward pressure upon wages. Longer-term inactivity in relation to wage work has no such effect in the contemporary economy as the skills of wage workless people are held to become obsolete, and, so the argument goes, their basic work discipline and commitment to wage work decreases.

In this context, it was argued by Labour governments that the problem for the British economy in the 1980s and into the 1990s was that, as a consequence of Conservative Party governments failing to reform the welfare state, and because of supply-side issues related to the skills and attitudes of wage workless people, the latter had become increasingly detached from labour markets (Brown, 1999, p. 11). While in some senses such arguments were disingenuous – Thatcher and Major governments had, for instance, introduced Jobseeker's Allowance (JSA) in 1996 for people officially defined as unemployed as the basis of what Finn (1998) describes as the stricter benefit regime, and, as we saw in Chapter 7, had extended wage supplements – it was argued by Labour governments that a consequence of Conservative inaction had been an increase in the NAIRU.

In economic terms one of the main aims of Labour governments, therefore, was to reduce the NAIRU (Finn, 2003). In its analysis this would enable more people to take wage work without igniting wage inflation. To reduce the NAIRU the focus was upon Britain's labour market, particularly the 'effective labour supply' (HM Treasury, 1997, para. 4.13). The 'reforming' of social security policy was held to be crucial in making the labour supply 'more effective' and involved an attempt to (re)attach wage workless people to labour markets, thereby: 'making them more effective at competing for jobs and enabling a rapid return to work for the unemployed, avoiding detachment from the workforce' (HM Treasury, 1999c, p. 53). With resonance of the work of Layard, 1997–2010 Labour Party governments were concerned with both increasing the size of the effective labour supply (by making more people compete for wage work) and the closeness of its relationship to labour markets by deepening and extending conditionality and, more importantly for our purposes, increasing the scope and generosity of wage supplements. HM Treasury (*ibid.*, para. 4.10, see also Brown, 1999), for example, noted that:

The economy does not contain a fixed number of jobs. One person's employment should not be seen as another's worklessness. Instead, by bringing workless people closer to the labour market and making them more effective at competing for jobs, total employment can be increased. With a more effective

supply of labour, employers can fill their vacancies more easily and the economy can grow without hitting skills shortages or running into inflationary pressures. In a dynamic labour market, that growth leads to higher employment.

Tax credits were an important element of this strategy because, as a wage supplement, and as had been argued in support of the introduction of FC, they were held to (re)attach people to labour markets by reducing the reservation wage, or the 'wage floor' as it was described in the 1980s (see Chapter 7), at which wage workless people should have been willing to work. However, for Labour Party governments tax credits went beyond this wage work incentive role. So, for example, Dawn Primarolo MP (then Paymaster General, Standing Committee A, 2002, col. 112) was reported as saying that:

The beauty of the tax credit is to allow for a foundation on which we can respond as the labour market changes. Pressures on work incentives and assistance, and on tackling poverty and unemployment traps, might change over time, so we have a framework.

Primarolo's comments perfectly summarise the economic potential attached to tax credits by the 1997–2010 Labour Party governments. In this interpretation they were a means of managing a range of economic potentialities in a market economy that was fundamentally 'risky' for both individuals and the state (c.f. Giddens, 1998). Tax credits were thought to provide both Labour Party governments and individuals with a means of managing that uncertainty. They were, however, premised upon inconsistent aims that, in the longer-term, demonstrated the tension of attempting to address economic objectives (managing various dilemmas related to the effective labour supply) and social objectives (related, for example, to child poverty).

### **Tax credits and gender**

We have seen that since at least the 1960s wage supplementation policies have, at least in part, been constructed through concerns with the gendered nature of familial finances – for example, which parent was more likely to ensure that money for children's needs were spent on them and how payment to fathers or mothers might impact upon the broader economic aims of wage supplements. In the previous chapter, for example, we saw that in order to reinforce the financial incentive to take wage work it was deemed necessary to pay FC via the wage packet to male breadwinners. Such concerns were resisted in the 1980s and ultimately defeated, but, as we have seen above, Martin Taylor, the first Blair government's tax and benefit 'expert', once again made such an argument for paying wage supplements via the pay packet.<sup>21</sup>

With the development of CTC and WTC the payment of tax credits was divided between parents in couple households. Child tax credit and any entitlement to CCTC were paid via the purse to the carer, while WTC was to be paid through

the wage packet to the breadwinner. For a little over half (52.5%) of households receiving tax credits this was uncontroversial as they were lone mothers (extrapolated from Inland Revenue, 2002). For just under a half (47.5%, *ibid.*) though, this development raised important gender related issues with regard to the control of familial incomes for, in one estimation, it meant a redistribution of £900 million from women to men (Steven Webb MP, House of Commons Debates, 1999, col. 169).

After being elected in 1997 the Labour Party government excited much analysis of its approach to family formation and family life (for example, Land, 1999; Barlow and Duncan, 2000; Lister, 2000; Rake, 2001; Bennett, 2002; Pascall, 2006). For Land (1999), its approach marked a departure from previous governments of both left and right because it made its views on family life and formation explicit. Land's argument, however, referred to a departure more in the presentation of policy related to families, rather than the policy itself. The Green Paper, *Supporting Families* (Secretary of State for the Home Department, 1998) outlined the newly elected government's approach to families. Despite some ambiguities and caveats about the ability of lone mothers to raise children successfully (see Durham, 2001; Driver and Martell, 2002), it was clear that its preferred familial form was the patriarchal family. The comments of Jack Straw MP (then Secretary of State for the Home Department), demonstrate the point:

We are not in the business of making the job of lone parents more difficult by blaming them as some have done in the past... Yet, whilst not stigmatising other family groupings, there is a presumption that the stability children need is best provided by two participating parents... Research shows that there is a higher level of commitment between married couples than between those who cohabit, and married couples are more likely to stay together. (quoted in Barlow *et al.*, 2000, p. 74)

Barlow *et al.* (*ibid.*) argue that the contradictory position of Straw in attempting to balance support for lone mothers and for 'the family' was due to tensions in Labour's communitarianism in the 1990s and 2000s, which suggested:

On the one hand there is a supposed parenting deficit, but on the other hand all adults below pensionable age have the ascribed duty to take on paid work. Traditional marriage, with two-parent married families, seems to offer the best way of dealing with the contradiction, for this is the family form that best facilitates the combination of parenting with paid work.

This apparent contradiction between the importance placed on wage work and unpaid parenting in 1997–2010 Labour Party government arguments is acknowledged by others (for example, Gray, 2001) and led to claims that the government's focus upon wage work through developments in labour market policy and, more importantly for our purposes, wage supplements, merely reproduced private patriarchal dependency through traditional divisions of labour (Land,

1999; Rake, 2001). Land (1999, p. 140) noted that the ‘male breadwinner model is being reinstated among low wage earners’. Such arguments, however, were challenged by Driver and Martell (2002) who argued that Labour’s approach to ‘the family’ represented a ‘third way’ that was attempting to reconcile (though not always successfully or coherently) different agendas. In this interpretation 1997–2010 Labour governments had neither purely conservative nor solely progressive intentions for the family (*ibid.*, p. 50). More importantly, the apparent conflict between the importance placed upon both wage work and parenting was resolved, Driver and Martell (*ibid.*, p. 58) argued, by focusing upon the moral value Labour governments placed on the latter, rather than its economic value that their critics focused upon.

Most notable in this context was the idea that wage work demonstrates important moral messages to children who, as adults, would be expected to earn their living through wage work, rather than relying on social security payments for their income. We saw above that this idea was central to changes to FC in the 1990s as they affected lone mothers. It was, however, also central to the development of tax credits under the 1997–2010 Labour governments, which, along with the wider ‘reform’ of the social security elements of the social contract (see DSS, 1998, for discussion, Dwyer, 2004), aimed to get at least one adult into wage work from workless households (HM Treasury, 1998, para. 2.04–2.07). Such an approach led to the argument that Britain, in common with other industrial nations, was moving from a male breadwinner model towards a universal breadwinner or adult worker model (see Ciccica and Bleijenbergh, 2014, for a summary). In Britain the moral imperative placed upon wage work was held to be particularly relevant to lone mother headed households, with, for example, Harriet Harman, when Secretary of State for Social Security, promoting the idea that lone mothers should do wage work in order to demonstrate its value to their children (for example, in House of Commons Debates, 1997b, col. 519, 1997c, col. 1086). It is in this instance that the argument for the development of a universal breadwinner model might be made.

It is more difficult to make such an argument when couple households are considered. There is evidence to suggest that political elites conceptualised tax credits as a means of reinforcing the male breadwinner model. For instance when Prime Minister Tony Blair presented tax credits as a means of supplementing the dependency of women on men – that ‘working tax credit enables half a million mothers to choose to stay at home’<sup>22</sup> – rather than as a work incentive measure. In other words, the payment of wage supplements reduced the pressure on couple households to have two earners and, for Blair at least, the non-waged adult was likely to be female. Evidence suggested that the structure of tax credits did, indeed, disincentivise the partners of working people from taking wage work (Blundell *et al.*, 2000).

Nevertheless, the introduction of CTC and WTC could also be understood as having the effect of freeing women from dependency upon particular men. For those families on the lowest incomes, for example, Campbell and Roberts (2002, p. 4, emphasis added) argued that:

the change to CTC will make it finically easier...for lone mothers to live with the fathers of their children (*or with another man for that matter*). After 2003 these mothers will have the security of knowing that they will continue to get money without having to receive it through their partners.

Such arguments are significant in the context of the importance of money as a factor affecting repartnering (Lampard and Peggs, 1999), for in them CTC is understood as a portable income between potential male partners, rather than between wage worklessness and wage work. Such arguments though, suggest that the desire of lone mothers is to (re)partner, but it can equally be argued that tax credits, like FIS and FC before them, enabled women to reject male dependency altogether. The possibility that the payment of wage supplements might affect familial formation was not new and was something that right-wing commentators (for instance, Morgan, 1995) were critical of in relation to FC and which economists were critical of in regards to WFTC (Blundell and Walker, 2001).

Beyond the generic problem with such arguments that relates to their basis in financial rationality (see, for example, Edwards and Duncan, 1996, Duncan and Edwards, 1999 on gendered moral rationalities as an antidote to such thinking), the problem with these approaches is that they equate money for children as being financial support for the mother. This ignores the fact that support for women in the post-2003 tax credits were to be paid through the pay packet as part of the WTC as a means of providing a financial incentive for the breadwinner to take wage work. This concern with work incentives took precedence over concerns with the financial gender dynamics of couple households. As a consequence, it is possible to argue that the CTC and WTC merely acted to reproduce female dependency. Women in couple households receiving post-2003 tax credits received the benefits for their children, but nothing for themselves. While this may have importantly given women control over some familial income, it did not give them access to their *own independent* income, even at subsistence level. In fact, it can be argued that the split between adult and child tax credits merely reinforced familial roles and stereotypes premised upon traditional notions of familial dependency that many would like to challenge. In other words, the split arguably reproduced the idea that women are the main carers of children. While this may be the case in practice, the further institutionalising of such views through the new structure of tax credits entrenched the idea that the main role of women is the care of children.

### **Tax credits and child poverty**

We saw in Chapters 5 and 6 that the antecedents of contemporary versions of wage supplements can be located in the 1960s rediscovery of poverty. While concerns with poverty were still visible in the development of FC, they were once again usurped by broader political economic concerns with the nature and level of wage worklessness, and its relationship to possibly increasing the supply of labour. Such concerns, as we have seen, were not lost on Labour governments of the 1990s and

2000s. However, in addition to these macro-economic issues, it was the case that wage supplements were also held to be the key to addressing child poverty. Labour governments were convinced that 'work is the best form of welfare' and that it was 'the best route out of poverty' (Secretary of State for Work and Pensions, 2008a, para. 1.23 and 2.25; for discussion see Levitas, 1998; Walker, 1998; Lister, 1998; Deacon, 2000; Patrick, 2012).

When elected in 1997 Labour 'inherited levels of poverty and inequality unprecedented in post-war [WWII] history' (Stewart and Hills, 2005, p. 1). Despite the concerns with child poverty of many in the Labour Party government elected in 1997, and perhaps none more so than Gordon Brown, it was unclear what the first Blair government might do about it, at least in the two years after the 1997 General Election. This was partly due to the politics of that election in which, as a means of demonstrating economic competence, the Labour Party committed a future Labour government to the spending plans of the Conservative incumbents in its first two years. And partly it was because of Labour's political economy that uneasily attempted to marry social democratic concerns of the 'old' Left with the free market economics of neoliberalism in what was described as a 'third way' (see Giddens, 1998, 2000).

For its critics (for instance, Hall, 1998, Hobsbawm, 1998, Callinicos, 2001), however, the third way was little more than allowing Britain's version of neoliberalism free rein, while paying inadequate attention to social justice. Callinicos (2001), for example, was scathing of third way approaches which suggested that there was an easily identifiable set of socialist values that could be abstracted from socialism as a form of socio-economic organisation and manipulated to fit an historical period when global free markets were defined by politico-economic elites as being inevitable. For Callinicos (*ibid.*), the inequities upon which free markets are premised could not be reconciled with a commitment to greater egalitarianism. Callinicos (*ibid.*) argues that the socialism which survived the shift from 'old Labour' to the 'third way' of Blair governments was an ethical socialism concerned with equality of opportunity, mutual responsibility and equal worth and duty, rather than a socialism committed to an equality of outcome and social ownership. In other words, while the third way may have been beyond the ideology of the 'old' Left, it was not very far beyond that of the new right. Arguably, the difficulty of reconciling the free market and more traditional concerns with equality of outcome was symbolised in the difficulties that Labour governments had in addressing child poverty, primarily using tax credits, as an under-acknowledged form of redistribution.

Towards the end of the two-year period in which the first of the 1997–2010 Labour governments had committed itself to the spending plans of the previous Conservative government, Prime Minister Tony Blair (1999, p. 7) announced that Labour would 'end child poverty forever' (see also HM Treasury, 1999c; for discussion, Bradshaw, 2001; Fimister, 2001; Dornan, 2004; Brewer *et al.*, 2007). Blair's announcement took many by surprise because the word poverty had been banished from the policy lexicon of latter Conservative governments. John Moore MP, short-lived Secretary of State for Social Security (Moore, 1989, p. 433),

for example, claimed that absolute poverty had been abolished and that relative poverty was merely inequality. Meanwhile poverty was replaced in policy discourse by 'bland euphemisms – "low income", "below average income", "the bottom ten per cent" – terms which obscure the reality of deprivation, poverty and hardship' (Oppenheim and Harker, 1996, p. 12). In addition, child poverty had not been mentioned in the Labour Party's 1997 General Election manifesto, and the first Blair government decision to abolish one parent benefit<sup>23</sup> (OPB) led the CPAG to claim that the years 1997–99 'were dire for poor children'.<sup>24</sup>

To demonstrate its commitment to abolishing child poverty a number of intermediate targets were set by the 1997 Labour Party government: to reduce the number of children living in households with incomes below 60 per cent of the median household income by a quarter by 2004/5; and by a half by 2010/11 (DWP, 2002, DWP and Department for Education (DfE), 2012). Neither target was met and the best estimates were that the aim of abolishing child poverty by 2020 would not be met using this relative measure (Brewer *et al.*, 2007; DWP and DfE, 2012; Brewer *et al.*, 2011b). There was a fall in the number of children living in poverty between 2000/01 and 2003/4, but then the number increased until 2007/8, only to fall again with the onset of the economic crisis in 2008.

Despite, or perhaps because of, the child poverty targets not being met (there was a shortfall of 600,000 on the 2010/11 target, DWP and DfE, 2012), one of the last achievements of the 1997–2010 Labour governments was the introduction of the Child Poverty Act 2010. It introduced a statutory obligation to abolish child poverty by 2020. The then Prime Minister, David Cameron, argued (House of Commons Debates, 7 July 2010, col. 369) that Britain's 2010 Coalition government was 'absolutely committed to meeting the child poverty targets'.<sup>25</sup> However, and as a consequence of policy changes constructed through a discourse of austerity by the Coalition government (see Chapter 9), Brewer *et al.* (2011b) estimated that in 2020 there would be a similar number (3.3 million) of children living in poverty as there were in 1998 (3.4 million), representing a fall in the proportion of such children from 26.1% to 24.4%.

Despite not reaching its targets, Stewart (2012, p. 10) notes that there were 900,000 fewer children living in poverty in 2009/10 than was the case in 1996/7. Given that the target was relative and moving upwards (until 2008), Stewart (2011, p. 169) describes the 1997–2010 Labour governments' record in relation to child poverty as 'an impressive achievement'. Indeed, she noted simulations by the IFS which suggested that if the 1998/9 tax and benefit system had only been increased in line with inflation the number of children living in poverty would have increased by 900,000. There can be little doubt that the development of tax credits made a substantial contribution to the reduction in child poverty between the late 1990s and the late 2000s.

Nevertheless, it is still the case that the 1997–2010 Labour governments missed their self-imposed targets to reduce child poverty by a substantial margin. Why was this the case? First, there are issues related to the definition of poverty used to measure child poverty. While there were several definitions of it after the announcement of the aim of abolishing child poverty in 1999, the focus

was upon the headline measure of children living in households with incomes below 60 per cent of the median income. As noted above, this meant that Labour governments were attempting to 'hit a moving target' (Brewer *et al.*, 2002, p. 21) and had to increase benefits in line with incomes just to stand still. They raised concerns with the fact that the 'relative low-income measure receives most attention' (DWP, 2002, para 28), including what was described as the 'relative low-income paradox' where 'the numbers of people with relative low income may rise, even though real living standards for the poor are increasing significantly' (*ibid.*). Such issues have been observed in relation to other relative measures of poverty, such as the use of social assistance rates (as, for example, in Abel-Smith and Townsend's, 1965, work informing the rediscovery of poverty in the 1960s, and that of the CPAG until the mid-1990s).

Such issues were demonstrated in the immediate aftermath of the 2008/9 economic crisis as falls in child poverty were recorded as essentially being the consequence of a falling median income, while benefits for working age people were increased by the ROSSI index of inflation. Of course, and as happened in the economic crisis, such relative measures of poverty make it *cheaper* to address poverty if median incomes are falling, and both Labour and Coalition governments used the fall in median income to take credit for falls in child poverty. However, in the mid-2000s when Stewart (2012, p. 12) argues that governments 'took [their] foot off the pedal...and poverty rates stagnated' one of the difficulties was the cost.

Early Labour government budgets were redistributive towards income poor people, though not necessarily the poorest (Piachaud and Sutherland, 2000). However, this was largely done by stealth, with little explicit mention of the word redistribution. There was doubt as to how far such an approach could be taken, particularly in the light of the financial costs of abolishing child poverty. Brewer *et al.* (2007), for example, estimated that even to have just a 50:50 chance of halving child poverty by 2010/11 the cost would have been an additional £4 billion per annum by 2010/11. Additional monies (£0.85 billion) were found in the 2008 Budget to help address child poverty, but they represented only a fifth of that estimated by Brewer *et al.* (2007) to be required, and, even after the decrease in median income as a consequence of the 2008 economic crisis, not enough money could be found in later budgets to reduce child poverty by 50% by 2010/11.

A second issue raised by attempting to tackle child poverty through increasingly supplementing wages related to delivery. Labour governments of the 1990s and 2000s had three main aims in their welfare reform agenda. In addition to tackling child poverty and inequality, these were to provide the opportunity for wage work for those it felt should do such work and to make sure that social security was affordable and did not undermine economic stability (Miliband, 2002). In an attempt to meet all these aims the focus was upon a massive extension of means-testing through the development of tax credits. The argument frequently made by the Labour Party and its supporters before the 1990s was that means-testing was stigmatising and, therefore, benefits paid on such a basis were less likely to be claimed compared to universal benefits. Such views, however, were overcome by

the argument that tax credits were not stigmatising because, in the case of WFTC, it was paid through the wage packet, and because entitlement to WTC and CTC was based upon a 'light touch' income test, rather than a stigmatising means-test (HM Treasury and Inland Revenue, 2002, paras. 2.10–2.13).

Brewer *et al.* (2001, p. 34) however, in summarising evidence from the National Association of Citizens Advice Bureaux, argued that 'for some, payment through the wage packet has perhaps been more stigmatising and certainly more hassle than direct payment'. The concern is that means-tested benefits have a relatively low take-up. Means-tested wage supplements are no exception and in the early 2000s it was estimated that the take-up of WFTC was 62 per cent (Brewer *et al.* 2002, p. 23) which was lower than that of FC at an estimated 70 per cent in 1995/6 (Strickland, 1998, p. 25). The non-take-up of benefits was an obvious difficulty for Labour governments in meeting their child poverty targets. Brewer *et al.* (2002, p. 24), for example, concluded:

For some 1.5 million children who are seen as being in poverty are in families that do not receive the benefits that are the government's principle instrument for attacking child poverty. This puts almost two in every five poor children out of reach of increases in means-tested benefits, making the child poverty target very significantly harder to reach.

By 2008/9 there had been an increase in the take-up to an estimated 80% of caseload for CTC and 58% for WTC (HM Revenue and Customs, 2011, p. 6). While the take-up of WTC was dismal, the take-up of CTC also compared poorly to that of the universal CHB, which in 2008/9 had a 96% take-up (*ibid.*). In terms of expenditure, the take-up of CTC was estimated to be 90%, meaning that £2.7 billion a year was going unclaimed. For WTC expenditure take-up was estimated to be 80%, with £1.1 billion per annum unclaimed (*ibid.*, table 1, p. 12).

The multiple aims of Labour's tax credits, however, were not problematic just because of their means-tested basis. They also arguably introduced tensions to tax credit policy. As we have seen, for instance, tax credits were located in an orthodox economic analysis related to their potential effect upon the supply of labour to produce downward pressure on wages. Like FC, the predominant view was that tax credits could help reduce the NAIRU. Such an aim was, of course, different to the desire to reduce poverty which necessarily (unless median incomes are falling) means higher incomes need to be delivered to families. In theory, state wage supplements are supposed to do both of these – to put downward pressure on wages and to increase household income – but, as we have seen above, they do not have perfect take-up. This means that their potential in addressing child poverty (and that of single people and childless couples) is reduced.

## Conclusion

In this chapter we have focused upon the extension of wage supplements in the 1990s by Conservative Party governments and the introduction and

development of tax credits by 1997–2010 Labour Party governments. While the number of families receiving wage supplements increased steadily following the introduction of FC, there was a massive increase in the number of recipients and their cost during the Labour Party government years. By the time it left office in 2010, 3,124,000 families were receiving tax credits, of which the majority (2,599,000 or 83%) contained dependent children (extrapolated from HM Revenue and Customs, 2012, table 1A). This represented an increase of 343 per cent on the 757,000 families receiving FC in 1997. Such observations are important because of what we have seen were Labour government concerns with tackling child poverty and the macro-economic concern with managing the NAIRU. Even more stark, however, was the increase in childless families receiving wage supplements. In 1997 the number of such families receiving wage supplements was very small (ETU was aimed at 20,000 and, as we have seen, only 15,000 people were receiving DWA when it was abolished and not all of those would have been childless). By 2010/11 though, 525,000 families were receiving tax credits (*ibid.*). In 1997/8 FC cost £2.35 billion. By 2010/11 the cost of tax credits had increased tenfold to £27.9 billion<sup>26</sup> (DWP, 2013b).

The expansion of wage supplements in this period can be explained by an uneasy mix of traditional Labour Party concerns with social justice, notably child poverty, orthodox economic arguments concerned with wage-cost driven concerns with the supply of labour, and ethical socialist concerns with duty and obligation which, it was argued, could best be expressed through wage work. In this sense, tax credits, too, can be understood as recognising the social embeddedness of capital accumulation; that the operation of markets can have pernicious effects upon both well-being (as expressed in the concern with poverty) and, perhaps more importantly for the 1997–2010 Labour governments, incentives to do wage work. As it turned out, however, for many wage working people, and despite the introduction of the minimum wage, the stagnating wages of the 1980s continued into the 2000s (Plunkett, 2011). Despite some claims,<sup>27</sup> it is difficult to attribute this trend to the expansion of wage supplements. It was more related to what Lansley (2010) describes as ‘wage squeeze’, the reducing proportion of GDP spent on wages caused by the ‘new market philosophy’, which included deregulation of market and the erosion of trade union powers. It is the case though, that the expansion in tax credits under Labour governments did account for a significant proportion (40% between 2002/3 and 2008/9) of the increasing income of low and middle income households in the 2000s (Brewer and Wren-Lewis, 2011).

What this meant was that tax credits were always going to be susceptible to changes in political economic fortunes, for example, if there was a substantial economic slowdown, leading to reduced revenue and/or if the political appetite to borrow for non-capital expenditure fell. A combination of such factors occurred to form the austerity reaction in Britain to the economic crisis of 2008/9. However, the situation was complicated by the replacement of the Brown Labour Party government with a coalition led by the Conservative Party (with the

Liberal Democrat Party), which had as its main social security policy a desire to replace several means-tested benefits for working age people with one that would be payable to people both in and out of work. This was universal credit, which we focus upon in the next chapter.

# 9

## Universal Credit: Wage Supplements and Mini-Jobs

### Introduction

Following the inconclusive result of the 2010 general election, a Conservative Party/Liberal Democrat Party coalition was formed in Britain. It was not apparent in their election manifestos (Conservative Party, 2010; Liberal Democrat Party, 2010) that either party was thinking of major changes to wage supplements and social security policy more generally.<sup>1</sup> Within weeks, however, the coalition, drawing upon work by the conservative think tank the Centre for Social Justice (CSJ), had outlined plans to replace six means-tested benefits (CTC, housing benefit, income based JSA, income related Employment and Support Allowance, ESA, IS and WTC) with a single means-tested benefit (UC) as an income replacement benefit for people who were not in wage work and a wage supplement for people who were. The introduction of UC was a significant development in British social security policy in both scale (an estimated eight million households were to be affected by it – Secretary of State for Work and Pensions, 2010b) and scope (for example, in the extension of wage supplements to people in ‘mini-jobs’ and their calculation on a real-time basis).

The introduction of UC has primarily been understood in social administrative terms, with, for example, concerns about the practicalities of making such a change to social security system predominating (House of Commons Committee of Public Accounts, 2013, 2015; House of Commons Work and Pensions Committee, 2012, 2014; NAO, 2013, 2014). This chapter, however, starts by examining the ideological context from which the development of UC emerged by focusing upon the type of conservatism framing the policies of the contemporary Conservative Party and the wider policy context in which it was located, one defined by severe public sector spending retrenchment. The paper goes on to examine the antecedents of UC within concerns for administrative simplification and the bolstering of financial incentives to take wage work, which we have seen are familiar in social security policy. The central element of UC – the abolition of the distinction between people in and out of wage work – is then considered. The chapter suggests that, while this development seems to contradict the ideas of the ideological forebears of the Conservative Party, it is central to the productivist concerns of UC

with supporting labour market flexibility and incorporating the labour power of formerly wage workless people. In addition, the chapter argues that although UC seems to point to a lack of concern with the long-cherished distinction in social security between people in and out of wage work, the extension of conditionality to people in wage work suggests that concerns with wage supplements potentially demoralising working people have not been lost, but that the means of addressing them have been reconceptualised. Finally, the chapter considers the gender dynamics of UC by examining the implications of its structure for couple households and points to the ways in which there are tensions between a desire to support the private patriarchal family and encouraging labour market flexibility among women. In brief, UC might act to restrict the supply of second earner labour power, but the coalition government did not see this as problematic since it is more likely to be women supplying such labour power.

### Civic conservatism and wage supplements

By the 2010 general election the Conservative Party had been out of government in Britain for thirteen years. The Party had not made great vote-winning strides before David Cameron succeeded in becoming its leader after a third successive defeat in the 2005 general election, which it fought ‘on what was seen by many as a tax (cuts) and (anti-) immigration campaign’ (Bochel, 2011, p. 12). Cameron’s election as leader and the Conservative Party becoming the senior party in the coalition government in 2010 produced a significant amount of analysis. Relationships between conservatism and social policy were central to this (Evans, 2008, 2010; Hickson, 2009, 2010; Lister and Bennett, 2010; Page, 2010; Bochel, 2011; Ellison, 2011; Wiggan, 2011, 2012).

During his campaign to become party leader Cameron ‘argued that the Conservatives would have to change if they wanted to win the next election’ (Evans, 2008, p. 292). To do this, Evans (*ibid.*, p. 297) argues, Cameron ‘was prepared to consign his party’s own past to history’. The Conservative Party had an image problem as “‘the nasty party’”, one of old-fashioned prejudice, inward-looking intolerance and existing at some remove from the concerns of “ordinary” people’ (Fielding, 2009, p. 168), and change was required to address it. Though Evans (2008) is keen not to overstate this, Cameron’s willingness to engage with issues such as the environment and the representation of women in the Conservative Party were taken as indicators of change, while his willingness to engage with such issues as social justice and poverty were said to be an indication of a repositioning of the Conservatives as a progressive political party (c.f. Wiggan, 2011).

Cameron seemed to be comfortable in engaging with such issues, acknowledging, for example, the difficulties that the idea of poverty had raised for the latter of the 1979–1997 Conservative Party governments. In his Scarman speech, for instance, Cameron (2006, p. 1) argued that ‘poverty is an economic waste and a moral disgrace’. More importantly, Cameron distanced himself from the words of John Moore, arguing that Moore ‘was wrong to declare the end of poverty’ (*ibid.*, p. 2)

when he was Secretary of State for Social Security (1998–99). Cameron went on, seemingly, to accept relative poverty was a reality (which Moore, 1989, had redefined as inequality). Evans (2008), however, argues it would be a mistake to see Cameron's comments as much of a departure from previous Conservative thinking. According to Evans (*ibid.*, 306), Cameron's (2006, p. 3) view – that: 'Tackling poverty is not just about a safety net below which people must not fall. We must think in terms of an escalator, always moving upwards, lifting people out of poverty...an escalator lifts everyone together' – had intellectual lineage in economically liberal thought from Adam Smith's concern with 'trickle down' to the Reaganite view that 'a rising tide raises all boats'. For Evans (*ibid.*), 'Cameron was still really thinking in terms of absolute poverty', while Lister and Bennett (2010) point to Cameron's refusal to acknowledge increasing poverty rates in the 1980s as being a reason for scepticism of his party's conversion to a progressive political party.

There was also a tension in Cameron's approach which emphasised change and his continuing support of the neoliberal aim of a smaller state. In terms of addressing poverty, this tension was managed through the influence of *Civic Conservatism*. Evans (2008, 2010) argues in this regard that Cameron was particularly influenced by David Willetts MP (1997) who provided an intellectual case for synthesising economic liberalism and collective responses to social problems (Wiggan, 2011), as, for example, in his support for the 'very desirable principle' of the state 'boost[ing] the incomes of people in low paid jobs, especially if they have family responsibilities' (Willetts and Hillman, 2002, p. 38). For Wiggan (2011, pp. 27–8), 'the contentious issue' was 'what form collective action should take, how it is situated within the relationships and dispersal of power between the state, civil society, communities, families and individuals'. While Cameron acknowledged society, he did not equate it with the state (Evans, 2008, 2010). The implication was: 'Tackling poverty is a social responsibility. That means making sure every part of society...individuals, families, community groups, businesses, the public sector...all play their part in improving our society's well being – and the well being of every member of society.' (Cameron, 2006, p. 1)

For Cameron, addressing poverty was not something that the state could do on its own. That was a mistake made by the 1997–2010 Labour governments. They had relied 'too heavily on redistributing money, and on the large, clunking mechanisms of the state' (*ibid.*, p. 1), as highlighted in the many changes they had made to tax credits. In contrast to such mechanisms, Cameron argued that what was needed was action on the causes of poverty and encouraging 'the supporting structures and constructive relationships which help you stand on your own two feet...and which are the foundation of aspiration, ambition and hope' (*ibid.*).

Lister and Bennett (2010, p. 84) argue that in the mid-2000s the willingness of the Conservative Party to engage with poverty was a consequence of Iain Duncan Smith's<sup>2</sup> 'Damascene awakening when...he first understood "the sheer desperation of the lives of people on society's margins"'. This awakening occurred during a visit in 2002 by Duncan Smith to Glasgow's Easterhouse Estate. Ellison (2011, pp. 50 and 51) describes Duncan Smith as a 'compassionate Conservative' who, inspired by his Catholicism, sought to make a moral case for dealing with issues

related to poverty and social justice that would be consistent with a ‘Christian world view’.

Duncan Smith is important because, with others, he set up the CSJ in 2004. Its focus upon campaigning ‘for radical volunteer-based solutions to deep seated problems’ (cited in Haddon, 2012, npn) was consistent with Cameron’s civic conservatism, for it pointed to non-state solutions to such problems. That said, its main recommendation for tackling poverty, or economic dependency as it equated it with, was a substantial extension of state activity through the development of a new working age benefit (what was to become UC), which would be payable to income poor people whether they were in wage work or not. This development was compatible with the emphasis in civic conservatism on collective solutions supporting people to help themselves. Duncan Smith and Philippa Stroud (also a founder of the CSJ and later an adviser to Duncan Smith), for example, noted: ‘we believe that the surest way the Government can reverse social breakdown and poverty is to enable ... individuals, communities and voluntary groups to help themselves’ (Economic Dependency Working Group, EDWG, 2009, p. 2). The extension of wage supplements via the development of UC would do this, for, as we shall see, it was held to be a silver bullet of social security design which would simplify the benefit system, and also incentivise and cajole people out of a dependency upon out of wage work benefits and into wage work.

### **Austerity, social (in)security and tax credits**

In the previous section we focused upon the type of Conservatism framing the ideas of the Conservative Party immediately preceding the 2010 general election. In government, however, it was in a coalition with the Liberal Democrat Party, whose ‘Orange Book’ members shared ‘support for small government and the free market’ (Gray, 2010). Reflecting this, and despite some disagreement about the detail, the partners of the coalition government were united by a desire for a smaller state and a commitment to address Britain’s public sector spending deficit (HM Government, 2010, 2013). Indeed, these concerns could be understood as being conjoined:

The coalition programme is more than an immediate response to a large current deficit. It involves a retrenching of welfare benefits and public services that takes the country in a new direction, rolling back the state to a level of intervention below that in the United States – something which is unprecedented. (Taylor-Gooby and Stoker, 2011, p. 13; see also Taylor-Gooby, 2012)

Rather than being a response to a set of concerns that the budget deficit might raise for the private sector (for instance, eroding confidence in its ability to support growth and create jobs) and Britons (for example, helping to keep interest rates low and reducing the debts facing future generations) (Chancellor of the Exchequer, 2010b), austerity in Britain involves a neoliberal-inspired ideological assault upon the welfare state. This was reflected in the proportion of deficit

reduction that was to come from spending (80%) and (primarily regressive) tax increases (20%) over the period of the coalition government.

Cuts in public spending of £81 billion per annum by 2014/15 were announced in two exercises in 2010, an emergency budget and a comprehensive spending review (Chancellor of the Exchequer, 2010a, 2010b). Of the total savings over a fifth (£18 billion per annum) was to come from social security spending. This represented a saving of a little under £1 in every £10 of the £194 billion that was spent on 'social protection' in 2010/11 (Grover, 2011c). The cuts in social security spending though were to be felt by a specific group of benefit and tax credit recipients, working age people.

The budget deficit proved more difficult to reduce than was initially outlined by the coalition government. An in-year estimate, for example, for public sector borrowing in 2014/15 was £91.3 billion (Office for Budget Responsibility, OBR, 2015a, npn). The 2010 autumn statement estimated that it would be £35 billion (Crawford *et al.*, 2014, table 1.1, p. 19). As a consequence, the coalition extended the period over which public sector retrenchment would take place by three years to 2018/19 by which time it was estimated there would have been a reduction in public sector borrowing of ten percent of national income. This supported the notion of an ideological assault upon social welfare provision as such a level of reduction, Crawford *et al.* (*ibid.*, p. 10) argue, 'more than offset[s] the estimated increase in borrowing from the [2008 economic] crisis'. In this extension of public sector retrenchment following the election of a Conservative government in 2015, a widely trailed (Browne and Hood, 2015, p. 197) further £12 billion per annum saving from the social security budget was found, much of which was from the tax credits budget (discussed in Chapter 12).

The budget deficit situation worsened compared to what was forecast in 2010 because of a number of political economic factors. Most notably, Britain's economy did not recover at the rate or in the way it was expected to. The revising down of the trend in British economic output 'combined with a shift in the composition of the UK economy from more tax-rich sectors... resulted in a worsening of the public finances' (Emmerson *et al.*, 2013, p. 119). The OBR (2014, para. 4.3), for example, pointed to structural weaknesses with employment-led growth, central to the coalition's plans, because it 'is less tax rich because a given amount of labour income attracts a large number of tax-free personal allowances'. Cribb and Joyce (2015) also point to stagnating wages leading to lower than expected income tax receipts. Such observations link to a further reason, cuts made to income tax by increasing the tax-free personal allowance from £6,475 in 2010/11 to £10,600 in 2015/16 (an increase of nearly two-thirds, 63.7%). This development was driven by concerns with supporting 'hard working families on low and middle incomes',<sup>3</sup> concerns that were influenced by the politics of what the Labour Party Opposition described as a 'cost of living crisis'. The increase in the income tax personal allowance however, does little for the poorest people whose income is not high enough to pay income tax on and, equally important, it has been 'financed by other tax increases and cuts in spending on welfare and public services' (OBR, 2014, p. 46).

The retrenchment of social security policy by the coalition government followed a similar path to that followed by Conservative governments during the economic crisis of the 1980s, reinforcing financial less eligibility by eroding the value of out of work benefits compared to wages. This was done through various means, including placing a cap on the amount of benefit that able-bodied wage workless people could claim and changing the basis upon which benefits for working age people are uprated each year by, first, moving from the ROSSI measure of inflation to the lower Consumer Prices Index (CPI), and then from April 2013 to a mere one percent per annum for a three-year period.<sup>4</sup>

While the changes to out of wage work benefits were criticised for further impoverishing income poor people (for example, Browne, 2012), the coalition government's desire was to incentivise people receiving such benefits to take wage work by reducing their value. However, this is just one means of reinforcing financial less eligibility. The other, as we have seen, is to develop wage supplements for low-paid wage workers, which the coalition planned to do through the introduction of UC (see, George Osborne, 2014, on both strategies). Despite the potential of wage supplements to reinforce less eligibility, they were not immune from the coalition government's neoliberal retrenchment. Of the £18 billion cuts to benefits announced in 2010, £3.286 billion<sup>5</sup> (18.3%) was to come from tax credit spending. As Table 9.1 demonstrates, the savings were to be made in various ways, including reducing the relative value of some tax credit elements (for example, freezing the value of the basic and thirty-hour elements) and the real value of others (for instance, reducing the proportion of childcare costs payable via CTC from 80% to 70%), and removing some elements, such as those for babies and people over the age of 50. In addition, some changes (like reducing the second threshold to £40,000 from £50,000; and increasing the working hours required for couples with children to twenty-four from sixteen) were designed to retrench tax credits through the exclusion of people who would previously have qualified for them.

### **Antecedents of universal credit**

In several accounts (for example, Kennedy *et al.*, 2011; Haddon, 2012; Sainsbury, 2014) of the antecedents of UC its origins are located in a report, *Dynamic Benefits* (EDWG, 2009), produced by Duncan Smith's CSJ. This report was undoubtedly important as it did much of the policy work, including modelling the potential impact of what were then described as universal credits and their costs. However, there had been a concern for several decades with the issues – financial incentives to take wage work, the complexity of the system and the cost of its administration – that were central to the analysis in *Dynamic Benefits*. We saw, for example, in Chapters 7 and 8 that such issues, albeit to varying degrees, framed the development of FC and tax credits. In this section though, the interest from the mid-2000s in simplifying means-tested benefits for people in and out of wage work are examined before *Dynamic Benefits* is considered.

*Table 9.1* Tax credit savings in Britain's coalition government's emergency budget and spending review (2010)

Measure	Annual saving by 2014/15 (£millions)
<b>Emergency budget</b>	
Tax credits second income threshold: reduce to £40,000	145
First and second withdrawal rates: increase to 41%	765
Child tax credit: taper the family element immediately after the child element	480
Child tax credit: remove the baby element	275
Working tax credit: remove the 50 plus element	40
Child tax credit: reverse supplement for children aged one and two	180
Reduce income disregard from £25,000 to £10,000 for two years in 2011–12 then to £5,000 from 2013–14	420
Introduce an income disregard of £2,500 for falls in income	585
New claims and changes of circumstances: reduce backdating from three months to one month	330
Child tax credit: increase child element by £150 in 2011–12 and £60 in 2012–13 above indexation*	-1,424
<i>Savings from emergency budget</i>	<i>1,796</i>
<b>Spending review</b>	
Working tax credit: freeze basic and thirty-hour elements for three years	625
Working tax credit: reduce payable costs through childcare element from 80% to 70%, restoring 2006 rate	385
Working tax credit: increase working hours requirement for couples with children to twenty-four hours	390
Child and working tax credits: use real-time information	300
Child tax credit: increase child element by £30 in 2011 and £50 in 2012**	-210
<i>Savings from spending review</i>	<i>1,490</i>
<b>Total tax credit savings</b>	<b>3,286</b>

*Notes:* \* the emergency budget noted a £60 per week above indexation increase for CTC in 2012/13. This was cancelled in the 2011 autumn statement because inflation was higher than expected (5.2%) and CTC, as planned, had been increased by £150 above indexation in April 2011 (HM Treasury, 2011). The original plan for above inflationary increases in 2011 and 2012 was costed at £1,995 in 2014/15. The figure of increased spending of £1,424 million was the proportion (71.4%) represented by the increase in 2011.

\*\* the spending review noted an additional £50 above indexation rise in CTC. This, too, was reversed in the 2011 autumn statement (HM Treasury, 2011). The original plans would have cost £560 million by 2014/15. The figure of £210 million is extrapolated from the fact that £50 represented 62.5% of the additional £80 increase CTC in 2011 and 2012.

*Sources:* Chancellor of the Exchequer (2010a, table 2.1, 2010b, table 3).

### **Simplification: single benefit or single benefit system?**

One of the main ideas in the mid-2000s was that the number of benefits for working age people caused complexity and confusion, which was problematic for both claimants and administrators. The first mention of the then Labour Party government's desire to simplify the benefit system was in the Green Paper, *A*

*new Deal for Welfare: Empowering People to Work* (Secretary of State for Work and Pensions, 2006). In the context of changes the paper announced to benefits for disabled and chronically sick people, it noted that 'there might be advantages in moving...towards a single system of benefits for all people of working age, with appropriate additions for those who have caring responsibilities and those who have long-term illness or disability' (*ibid.*, p. 92). As was made clear by then Parliamentary Under-Secretary at the DWP James Plaskitt MP, in evidence to the House of Commons Work and Pensions Committee (2007a, question, 379), it was not envisaged that this would mean the shift to a single benefit, but would mean 'a single system of benefits...a coherent family of benefits... [where] the pieces all fit together...quite a different matter from a single benefit'. In Plaskitt's account coherence between benefits was more important than the number of benefits for working age people.

This idea was taken forward by analysts external to the government. In a report commissioned by the DWP, for example, former banker (and now Lord) David Freud (2007) concluded that there were three 'broad options' for a single system of working age benefits, one of which was similar to the existing system ('different benefits and benefit levels to reflect different circumstances, based on one common rate', *ibid.*, p. 100), a single benefit with a single rate, and a single system with two rates (basic and long-term). Like others (Sainsbury and Stanley, 2007, House of Commons Work and Pensions Committee, 2007a; Secretary of State for Work and Pensions, 2008a, 2008b), Freud argued that existing complexity 'was not presented as a clinching argument for change' (Sainsbury, 2010, p. 102). In contrast, he argued there needed to be a shift toward a single benefit system because:

Complexity makes it more difficult for claimants to understand their rights and responsibilities, and staff and advisors to offer appropriate [support] and guidance. It also increases the risk of fraud and error, and can act as a barrier to someone moving into work, or affect incentives to remain on a particular benefit. (Freud, 2007, p. 99)

For Sainsbury and Stanley (2007), only the second of Freud's suggestions – a single benefit with a single rate – was worth pursuing. Preserving the (albeit tweaked) existing system would 'simply save the fundamental problems inherent in the current system for another day', while a single system with two rates 'would perpetuate the perverse incentives to seek to claim the higher rate, and would retain unnecessary complexity' (*ibid.*, p. 6). Hence, Sainsbury and Stanley (*ibid.*, p. 11) argued for a single benefit for wage workless people paid at a standard rate. Needs beyond those covered by the standard rate (for example, those related to the additional costs of disability) would be relieved via 'other redistributive vehicles'. Their suggestion, like that of Freud, however, was limited because their analysis did not include tax credits paid to low waged workers or housing benefit which is payable to people in and out of wage work. In brief, they were only focused upon a single benefit for wage workless people and not for those also in wage work.

In contrast, and because it was felt there was a ‘lack of vision and drive within DWP and across Government to simplify the benefits system’, the House of Commons Work and Pensions Committee (2007b, para. 4) outlined a version of a single working age benefit which encompassed out of wage work benefits and wage supplements. In its proposal when people started work:

HMRC [Her Majesty’s Revenue and Customs] would then reclaim the benefit from their wages at a constant Marginal Deduction Rate...through the tax system. The Marginal Deduction Rate (MDR) would...apply from the first pound of income until an individual’s wages had risen high enough to repay all their benefit, at which point it would no longer apply. This system would, therefore, replace all existing benefit withdrawal rates...and the entire tax credit system as well. (*ibid.*, p. 109)

Sainsbury and Stephens (2009, p. 27) note that it was Conservative Party members of the Work and Pensions Committee who were ‘largely responsible’ for this proposal. Given that it was ‘an attempt to elicit from the Government its thinking on the concept of a Single Working Age Benefit’ (House of Commons Work and Pensions Committee, 2007a, p. 108), this should not be surprising, but the proposal was in a paper produced by cross-party MPs, suggesting a degree of consensus about the possible development of a single working age benefit (Sainsbury and Stephens, 2009).

The last of the 1997–2010 Labour governments rejected both a single working age benefit for only workless people and the suggestion for a single benefit to encompass the needs of both workless and wage poor households. While it acknowledged there was a need ‘to improve the fit between out-of-work benefits, in-work benefits and tax credits’, it was concerned by an approach involving a separation of income replacement and additional cost needs through the development of a single working age benefit (Secretary of State for Work and Pensions, 2007, p. 99; also Secretary of State for Work and Pensions, 2008a). In contrast, its preference ‘drawing on the best features of JSA, IS and the new ESA’ (Secretary of State for Work and Pensions, 2008b, para. 6.8), was to abolish IS, leaving Britain with a dual income replacement benefit system for working age people (JSA for those deemed capable of doing wage work and ESA for those not). This proposal was in the Social Security Act 2009, but its implementation was lost when the coalition government was formed in 2010, which was more interested in developing a single benefit to cover people in and out of wage work.

### **Centre for Social Justice: *Dynamic Benefits***

Shortly after Cameron became leader of the Conservative Party the CSJ was commissioned to host one of six policy review groups that were to inform, if their findings were agreeable, the policy direction of the Conservative Party (Haddon, 2012). Its focus was upon social justice and in two reports (Social Justice Policy Group, SJPG, 2006a, 2007), and drawing upon a discourse of ‘broken Britain’

first put forward by Liam Fox MP in the Conservative leadership contest of 2005 (Haddon, 2012), it argued that poverty 'is too important an issue to be left to the Labour Party' (SJPG, 2006a, p.18).

For the SJPG, there was no point in tackling poverty by just increasing spending on working age people, as the 1997–2010 Labour governments had done. In contrast, the causes of (or 'pathways to') poverty needed to be addressed. According to the SJPG (2006a), these were; family breakdown, educational failure, economic dependence, indebtedness and addictions. In terms of economic dependence, the SJPG (2007) argued that extant policies were failing. Ignoring the fact that the 1997–2010 Labour governments had been almost continuously concerned with increasing participation in wage work, the SJPG (2007, p. 5) argued that '[w]eak work expectations have made a life on benefits a choice, regardless of an individual's capacity to work', that existing 'welfare to work' policies were ineffective in supporting people into work and that there were too many 'perverse incentives' in the social security system acting to 'disincentivise work, and family structures that lead to the best outcomes for children and can protect against economic dependency' (*ibid.*). However, because the SJPG's view was '[w]ork is the key route out of poverty for virtually all working-age households' (*ibid.*, p. 6, original italics), in principle it was little different to preceding Labour Party governments. Their approach to wage work though, was condemned as being skilful politics, blending 'traditionally left-wing themes of social exclusion with traditionally right-wing themes of benefit dependency and "dependency culture"' (SJPG, 2006b, p. 11). Given the similarity of the SJPG's approach to that of 1997–2010 Labour Party governments, it too was as politically skilful in its adoption of the traditionally left-wing themes of social exclusion, social justice and poverty.

In this context, Labour's approach to labour market and social justice issues – what the SJPG, drawing upon the words of Labour MP John Denham (2004a, 2004b), described as the 'Tax Credit economy' – was criticised. Labour Party government policies in the 1990s and 2000s were argued not to be 'ending the dependency of the poor on benefits. Rather, dependency on out-of-work benefits has been replaced by dependency upon tax credits.' (SJPG, 2006b, p. 12) Once again, the problem was held to be that the *causes* of poverty were not being addressed. Tax credits were condemned as merely reproducing 'low-prospect jobs, a world of work that fails to reconnect people to the main-stream culture of aspiration and opportunity from which they have been excluded' (*ibid.*, pp. 12–13).

Given this analysis, it was surprising that the CSJ's solution to such issues involved an extension of wage supplements through UCs outlined in the paper, *Dynamic Benefits. Towards Welfare that Works* (EDWG, 2009). Despite, its claim of newness, the analysis offered in *Dynamic Benefits* was very familiar. Its central argument was that people were disincentivised from a range of what the paper defined as positive behaviours by the way in which the social security system was structured. For example, the 'biggest barrier', Duncan Smith claimed in the preface of *Dynamic Benefits*, 'to those entering work for the first time was the benefit system itself' (*ibid.*, p. 4), while it was also noted that the benefit system 'imposes **penalties** on desirable behaviour apart from work – such as marriage

and cohabitation, saving and home ownership' (*ibid.*, p. 17, original bold). The problem, it was claimed in *Dynamic Benefits*, was that it was not recognised in social security policy that money earned from wage work was morally and socially preferable to that received in benefits. Past approaches to welfare reform were condemned as 'ignoring... the superior value of a pound earned to a pound received in benefits, both to an individual and their family and community' (*ibid.*, p. 155).

*Dynamic Benefits* located the alleged problematic nature of incentives in social security system in the importance that Beveridge (1942) attached to ensuring that the way social security benefits were organised did not disincentivise wage work and individual provision. However, its claims also had resonance with the 1834 Poor Law Commission Report about the impact of poor relief upon the decision making and behaviour of destitute people (Checkland and Checkland, 1974). Furthermore, *Dynamic Benefits* demonstrated as much concern with the unemployment and poverty traps as was shown in debates which framed the introduction of FC and tax credits (see Chapters 7 and 8). What made *Dynamic Benefits* different, it was claimed, was a new way (dynamic modelling) of analysing these traps, which were reconceptualised as the marginal tax rate (MTR) and participation tax rate (PTR) respectively.

*Dynamic Benefits*, therefore, contained novel analytical tools rather than new policy concerns. Continuity with past policy concerns was also demonstrated by the economic rationality that it argued underpinned the decision making of workless people to take wage work. It was noted in *Dynamic Benefits* that 'tax and benefits are not the only factors influencing movement into or out of work, and may not even be the main factors for many individuals' (EDWG, 2009, p. 22). However, given that dynamic modelling is an orthodox analytical tool<sup>6</sup> which assumes economic rationality, such observations were addressed by an income sensitive analysis – that people with low earning potential have high employment elasticity (*ibid.*, p. 167) – and the argument that while wage 'work is about more than money... it should not be about everything *but* money' (*ibid.*, p. 82). These claims enabled the essentially liberal economic analysis of *Dynamic Benefits*, which suggested it was the extant structure of the benefit system that deterred people from taking wage work. In this sense, wage worklessness was understood as a life-style choice,<sup>7</sup> a 'culture of not working' (*ibid.*, p. 48), encouraged by the benefit system.

To alleviate the problems that were held to be structuring the existing social security system, the recommendations of *Dynamic Benefits* included:

- more generous earnings disregards sensitive to the size of claimants' households, allowing claimants to earn more before their benefit income was reduced;
- a single withdrawal rate of 55 percent of net earnings once the earnings disregard had been exceeded;
- simplifying the benefit system by reducing the number of means-tested benefits for working age people to two – universal work credit and universal life credit;
- reducing penalties for couples, savings and those with mortgages.

Interestingly, there was no discussion in *Dynamic Benefits* of how such recommendations were located in the centuries-old concern with distinctions between people in and out of wage work. The two forms of UC were not related to whether the claimant was in or out of work, because the main qualifying criterion for both was low income, rather than status *vis-à-vis* wage work.

The consequences of the introduction of UCs could be divided into the economic and the social. The economic consequences were related to cost. While *Dynamic Benefits* estimated UCs would involve additional gross spending of £3.6 billion per annum, it was also argued they would lead to increased tax receipts of £880 million per year (primarily increased VAT and duties). The net cost, therefore, was estimated to be £2.7 billion per annum, the equivalent to an increase of 3.6% in benefit expenditure. However, because of the administration savings that simplification would bring, and that ‘savings would also come from reducing the indirect cost of unemployment – reduced expenditure on health, crime, policing, and other social costs’ (*ibid.*, p. 30), it was estimated that in the long-term it would result in net savings. In terms of social consequences, it was argued the dynamic modelling suggested the introduction of UCs would result in increased incomes of an average of £1,000 per annum for 4.9 million households, a reduction of 600,000 wage workless households, and 829,000 fewer households containing 210,000 children living below the poverty threshold.

Generally speaking, it is difficult to trace causation between the ideas of think tanks and government policy (Bentham, 2006). However, Ellison (2011, p. 56) argues that there is a ‘clear line of continuity between Centre for Social Justice-inspired policy recommendations and what have become coalition government proposals’. It is to its proposals on wage supplements that we now turn.

## Universal credit

Within a couple of months of the coalition government being formed Duncan Smith, appointed as the new Secretary of State for Work and Pensions (2010a), produced a Green Paper aimed at ‘reforming’ the social security system, ‘with a view to fewer benefits, fewer layers of bureaucracy and with financial support firmly focused on making work pay’ (*ibid.*, p. 1). The diagnosis, drawing upon the work of the CSJ, was that: ‘The benefit system... provides incentives to stay on benefits rather than take on a job. We want to support people to move into and progress in work while supporting those in greatest need.’ (*ibid.*, p. 2) To do this, the Green Paper outlined several approaches to address the ‘two key areas where structural reform of the system could focus... the number and types of benefits and Tax Credits available... and... the way in which entitlements are withdrawn as individuals move into and progress in work’ (*ibid.*, p. 18). While four potential approaches were outlined in the Green Paper, the brevity with which three – the Institute for Public Policy Research’s (IPPR) single working age benefit (Sainsbury and Stanley, 2007), the IFS’s Mirrlees Model of tax and transfer (Secretary of State for Work and Pensions, 2010a, p. 25) and a negative income tax proposed by the Taxpayers’ Alliance (Taylor *et al.*, 2010) – were dealt with made it clear that the Coalition’s preference was the fourth, UC.

Wiggan (2012, p. 400) argues that in the coalition government's Green Paper (and White Paper, Secretary of State for Work and Pensions, 2010b) on social security policy an 'expensive, well meaning system of state support is portrayed not only as ineffective, but as reinforcing social problems by permitting people to make the "wrong" choices, due to poor incentives in the benefit system, with devastating consequences for poor families'. While acknowledging the 'good intentions' (Secretary of State of Work and Pensions, 2010a, p. 8) of previous developments in social security, it was nonetheless argued that a radical approach was required to restore the financial incentive to take wage work. This would enable the British state to 'reintroduce the culture of work in households where it may have been absent for generations' (Secretary of State for Work and Pensions, 2010b, p. 3). In this sense, the coalition government's approach was premised upon questionable ideas.

Shildrick and colleagues (2012, p. 433), for example, demonstrate that intergenerational worklessness is difficult to find empirically. They note there is 'no evidence to support the idea that participants [in their research] were part of a culture of worklessness, and none for the idea of intergenerational cultures of worklessness' (*ibid.*, p. 5). In contrast, they found that: 'Despite their long-term worklessness, parents actively strove for better for their children and often assisted them in searching for jobs. Young people in these families described wanting to avoid the poverty, worklessness and other problems that had affected their parents.' (*ibid.*) The idea that wage worklessness is a cultural phenomenon, therefore, is deeply problematic because, even in families where there have been long periods of such worklessness, people remain wedded to the view that wage work is the right thing to do, and something they and their children should aspire to.

Despite the discursive location of wage worklessness within an alleged culture of income poor people and families, the solutions offered by UC were located not within the cultural, but within techno-rationalist fixes to the social security system. Indeed, in his Preface to *Dynamic Benefits* Duncan Smith argued that wage worklessness was a consequence of the economic rationality of individuals, rather than being within the cultural expectations attached to, and of doing, wage work. 'The Government lazily assume', Duncan Smith argued (EDWG, 2009, p. 7), 'people will take work out of a sense of obligation... We recognise that incentives, not values alone, shape human decisions.' In this context, UC represented an example *par excellence* of pre-2010 civic conservatism, as it represented an approach that recognised the value of collective action, but only for combating the causes of poverty (in this case what Lister (2011) describes as an ideologically loaded notion of 'dependency') and upholding a traditional sense of morality to which wage work, 'the family' and individual responsibility were central (Hickson, 2009).

### **Labour market flexibility, blurring boundaries and conditionality**

We have seen that in discursive terms UC is very familiar in British social security policy. As a mechanism to address those concerns, however, UC is arguably novel because it abolishes the distinction between people in and out of wage work, held

to be crucial in the framing of the new poor law in the 19th century and social security policy after WWII. It was to do this by replacing a range of benefits: three means-tested income replacement benefits (ESA, IS and JSA); the extant wage supplement for adults (WTC); and two benefits (CTC and HB) payable to people both in and out of wage work. The main qualifying criterion for UC is how poor the applicant's household is, not their relationship to wage work.

It is this development which is of most interest, alongside UC's single taper for the withdrawal of benefit as wage income rises. While these developments are constructed through a paternalism which suggests that UC will be good for individuals – helping to address poverty and providing incentives to do wage work and, therefore, to benefit from the economic, moral and social advantages it is held to hold – these potential individual benefits of UC are conflated with potential benefits to the macro-economy. In other words, UC is a logical step in neoliberal political economy in which the dissonance between wages as price and wages as subsistence is so stark that even some single people and childless couples find it difficult to earn a wage that is high enough to reach the low income that the state feels they should receive. This is problematic, not just for social justice, but also, as we have seen in previous chapters, for the economy as it is held to have the potential to disincentivise people from taking wage work.

Hence, while the coalition government argued that UC would help to tackle poverty, this would be through its structure as a wage supplement to encourage people into wage work. The changes brought about by UC to 'improve work incentives by ensuring that support is reduced at a consistent and managed rate as people return to work and increase their working hours and earnings' (Secretary of State for Work and Pensions, 2010b, p. 3) were important because the existing benefit system stood accused of wasting potential labour power by 'trapping individuals, families and whole communities in the very condition it was supposed to alleviate' (*ibid.*, p. 12). In contrast, through UC the government was determined 'to create a welfare system that provides people with the confidence and security to play a full part in society through a flexible labour market within a competitive modern economy' (*ibid.*).

The abolition of the administrative distinctions between people in and out of wage work was central to this because it was held that it would aid flexibility: 'The current system incentivises many people to work no more or less than the minimum hours required to qualify for Working Tax Credit. This fails to reflect the flexible working pattern that modern employers and individuals need.' (*ibid.*, p. 8) The removal of the hours qualification for wage supplements, which in social security policy terms had delineated those considered to be in and out of wage work from the introduction of FIS in 1971, along with the introduction of more generous earnings disregards, it was argued, was likely to have several effects. First, it would mean that people who have none would be incentivised to take on at least some wage work, even if at the start it is only for a 'few hours' per week (*ibid.*, p. 15). Second, it would remove the alleged distortions in labour markets that tax credits were held to have by 'over-reward[ing] people for working a specific number of hours that may not suit them or their employers' (*ibid.*, p. 3).

Given these observations, UC appears to be structured by the reverse of the concerns we have seen were outlined in the 18th and 19th centuries by early political economists and the ideological forebears of contemporary free marketers. Universal credit contradicts their concerns and, since then, those of many policy makers and administrators that state-sponsored wage supplements lead to a demoralisation of low-paid working people, rather than, as UC suggests, their remoralisation. First impressions, however, can be deceptive, for it is not the case that the classic economic liberal concerns with wage supplements incentivising undesirable forms of behaviour have been overcome. Lister's (2011, para. 5) observation of the ideological nature of the idea of the 'dependency culture' and 'culture of worklessness' that framed the coalition's approach to social security is important in this context. As she highlights, they 'serve to delegitimize receipt of state support through the benefit and tax credits systems'. Moreover, she argues they have 'drive[n] the further ratcheting up of the regime of conditionality and associated sanctions' (*ibid.*) as outlined in *Universal Credit* (Secretary of State for Work and Pensions, 2010b). It is within this discursive framing of UC and the extension of conditionality that continuity with the classic political economists' concerns can be observed. The coalition government was, and the current Conservative Party government, is keen that people do not do less wage work than might be expected of them. Universal credit, therefore, is paid on '**an expectation of full-time work wherever appropriate**' (DWP, 2011a, p. 2, original bold). The danger for the government, as was argued to be the case with the Speenhamland Scale and other allowances in aid of wages systems in the 18th and 19th centuries, is that UC recipients will choose to do as little wage work as is consistent with the utilitarian pain/pleasure calculus which is thought to underpin their rationality.

This potentiality has been highlighted in analyses of UC. Dwyer and Wright (2014, p. 31), for example, note that the abolition of an hour's qualification 'has, unwittingly perhaps, brought about a perverse incentive to engage in limited hours of paid work'. There was nothing unwitting about this development, but nevertheless there is a concern with such incentives. Hirsch and Hartfree (2013) highlight that while the incentive in UC to take mini-jobs (defined as jobs of ten or less hours per week) is strong, for some groups of claimants the incentive to do more wage work then quickly diminishes. Finch *et al.* (2014, p. 32) note that UC provides 'strong incentives to begin working part-time, up to twenty to twenty-six hours on the minimum wage'. The danger, Finch and colleagues (*ibid.*) argue, is that 'many people on UC will remain in "mini-jobs" at higher cost to the state'. In order to manage this potentiality a central element of UC is the massive extension of conditionality to people (an estimated 1.2 million) receiving UC while working less than full-time hours. For Pennycook and Whittaker (2012b, p. 11) this was an 'unprecedented change', although the government saw it as an extension of both the historical use of conditionality and an increase in the existing income threshold at which conditionality ceased.<sup>8</sup> The disciplinary potential of the extension of conditionality, was highlighted by the government: 'Setting the threshold higher up the income spectrum will enable us to encourage or push

claimants, including some of those working a few hours a week, to work more and reduce their dependency on benefits' (DWP, 2011a, para. 2c).

The government was pointing to a solution to the orthodox economic concern that when there is no distinction between people in and out of wage work both are demoralised. It was also providing an answer to the issue raised in the early 1970s, when the reintroduction of means-tested wage supplements was being debated as to whether people receiving them would be under similar obligations as unemployed people related to wage work in return for their supplement (see Chapter 6). However, given Duncan Smith's (2014, p. 7) fervour to 'get Britain working' and the fact that UC was framed by an economic rationality, it might be argued that such a policy was inevitable, for it provides an approach to the financial disincentives inherent in means-tested systems of poverty relief which, although UC alters, it cannot abolish (DWP, 2011b).

The extension of conditionality to people in wage work has been criticised on several grounds. A number of practical considerations – for example, whether the resources can be found to administer it at a time of public spending retrenchment and whether a 'fair' and 'consistent' form of conditionality for people in wage work can be developed – have been highlighted (Pennycook and Whittaker, 2012b). A number of more abstract issues have also been raised. For Dwyer and Wright (2014, p. 33), for example, UC represents a shift from a 'creeping conditionality' (see Dwyer, 2004) to a 'ubiquitous conditionality'. With reference to T. H. Marshall's (1950) conceptualisation of social citizenship, Dwyer and Wright (*ibid.*) suggest that the conditionality regime of UC represents a 'more constrained and qualitatively different deal for citizens than that envisaged by the architects of the post-war welfare state'. Whether this is the case depends upon which ideas of the welfare state's architects are focused upon. Harris (1996, p. 133), for example, notes how Beveridge's approach toward state welfare was informed by 'an ancient theory of citizenship, within which citizenship was earned or acquired by means of some kind of moral or behavioural entitlement, rather than merely as passive birthright open to all comers'. Furthermore, although Marshall is often portrayed as an advocate of non-conditional social welfare provision, White (2003, p. 139) notes that he 'explicitly affirms the importance of the duties of social citizenship as well as the rights', particularly the 'duty to work'. It is, therefore, possible to interpret the extension of conditionality to people in wage work as extending the ideas of the architects of the post-WWII welfare state, rather than eroding them.

That said, UC does extend conditionality to people who until its development were engaged in the activity – wage work – which is seen as *the* means through which responsibility can be demonstrated. As Dwyer and Wright (2014, p. 31) conceptualise it, UC is structured through a 'conditionality flaw' because people in wage work, but who are so poorly paid they receive UC, are 'already fulfilling their work-related citizenship obligations'. The consequence of this, Dwyer and Wright (*ibid.*) argue, is that 'legitimacy issues' will be created by UC.

While there are various ways of justifying conditionality in social welfare policy (see, for example, Deacon, 2004), it is a contractual approach shaping its extension to people in wage work. The Chancellor of the Exchequer (Osborne,

2014, p. 8), for example, has argued that the government's general approach to welfare 'reform' was 'bringing back the principles that our welfare state was originally based on – something for something, not something for nothing' and, more specifically related to wage supplements, that:

We need our new approach. At the heart of it is a deal. We'll do everything we can to back business, help create jobs and *make work pay*. But in return we say that those who can work must take the jobs that are available. That's the deal our society should always have stuck to. (*ibid.*, p. 11, emphasis added)

Contractualism though, is problematic in its application to social security policies (Grover, 2012). While, for example, a great deal is heard about the expectations placed upon benefit recipients, less is heard about the expectations that contractualism places, or should place, upon the state. If the state expects recipients of benefits to act in particular ways it should fulfil commitments to them (its part of the contract). White (2003, p. 90), for instance, argues that the state must satisfy 'core commitments' which, as Deacon (2004, p. 915) notes, 'include the elimination of "brute luck" poverty, adequate protection against market vulnerability, the reduction of inequalities and protection against discrimination'. It is unclear whether UC delivers on such core commitments. While, for example, UC was presented as being to the benefit of low waged workers – an investment of £2 billion for its implementation and moving up to 350,000 children and 500,000 working age adults out of poverty (Secretary of State for Work and Pensions, 2010b) – the DWP's (2011b, table 1, p. 11) impact assessment suggested that as a consequence of its introduction two million households would have a lower entitlement, 1.4 million (70%) of which were in the lowest two income quintile groups. Transitional protection is supposed to ensure there are no cash losers when people are moved onto UC (new claimants are, of course, not protected), but that protection is limited by not being uprated with inflation and being lost if household circumstances change (Royston, 2012).

### **Gender and universal credit**

We saw in previous chapters that in debates about wage supplements for couple households there has been a tension between the aims of reinforcing financial incentives to do wage work, which were thought to be best served by payment through the wallet (to males), and the relief of the needs of children, which was thought to be best served by payment via the purse (to females). Such tensions also exist in UC. In addition to the aim of improving wage work incentives, a 'key aspect...is that it should mimic work and receipt of salary' (DWP, 2011c, para. 1a). This, and despite the fact that it was recognised that only 75% of earnings were paid in such a manner, means that UC is to be paid to one parent (to be chosen by the recipient household) in a single payment on a monthly basis. These and other aspects of UC have raised a number of issues regarding its gender dynamics.

A central criticism of UC is that its structure weakens the incentive for potential second earners to do wage work in couple households (Browne *et al.*, 2011). As the Women's Budget Group notes, this will particularly affect women because they are more likely to be second earners compared to men (Annesley and Bennett, 2011; Bennett, 2010, 2011). Universal credit's *Equality Impact Assessment* (DWP, 2011d, para. 73), noting that the 'Government believes any such risk of decreased work incentives for women in couples is justified',<sup>9</sup> demonstrates that although the government was aware of this issue, it had few problems with it. The priority in UC, as was the case with tax credits, is to get at least one person from wage workless households into such work 'to help break the cycle of worklessness in a family' (DWP, 2011e, para. 68). Potentially harming the employment prospects of women in couple households was understood as a price worth paying, an observation which helps to construct UC as being concerned with reinforcing the private patriarchy of the breadwinner model. The coalition government, for example, has argued: 'Although the number of workless households will reduce [because of UC], it is possible that, in some families, second earners may choose to reduce or rebalance their hours or to leave work'. This analysis was similar to that, as we saw in Chapter 8, Tony Blair used in regard to tax credits; that such wage supplements increase the household income of poorer families, a consequence of which is that women can consider giving up wage work. While this approach is not consistent with the desire to increase the effective labour supply, it is consistent with the broader coalition agenda, influenced by the work of CSJ (for instance, SJPG, 2006a), to encourage the private patriarchal family as an alleged institution of social stability.

In addition, and in the context of the wider neoliberal retrenchment of social security policy in Britain, which has had a disproportionate effect upon women (Browne, 2011, MacLeavy, 2011; Cracknell, 2013), there is concern that the payment of UC to the household's nominee will result in a shift of resources from women to men. While, for instance, it is acknowledged that in some households the decision will be made jointly, there is concern that in others men will unilaterally make the decision, meaning that household resources (wages and UC payments) will be paid to them. This will mean, first, that women in couple households will be less likely to have an income over which they have control and, second, that the money meant for children is less likely to be spent on them, an issue, it is argued, that will be exacerbated by it not being made clear that at least part of the UC payment is for children (Annesley and Bennett, 2011; Bennett, 2010, 2011). In other words, the gendered concerns with the structure of UC suggests there is a danger it will neither meet its economic aims of increasing participation in wage work, nor will it address the poverty of children.

## Conclusion

In this chapter we have focused upon the development of UC by Britain's 2010–2015 coalition government. Universal credit is a policy consistent with civic conservatism, for it was seen by its architects as a means of addressing poverty

by encouraging people through collective provision to help themselves by doing wage work. The aim of UC was to get people to stand on their own two feet, but this could only be done through the expansion of wage supplements and the extension of conditionality to people in wage work to ensure that the operation of such widespread wage supplementation did not discourage them from working full-time hours.

In this sense, and despite its claims to be at least in part concerned with addressing poverty, UC is designed to support an activity – wage work – which causes poverty because of the way it is structured in the twin ideas of labour market flexibility and wages as price. Both were seen by the 2010–15 coalition government as being problematic because of the lack of incentive they were thought to give people to take wage work. Universal credit aims to address this issue and, in doing so, it is less concerned with the poverty that working people often face in and out of wage work than it is with the productivist potential of UC to support a macro-economic policy premised upon neoliberal ‘flexploitation’ (Gray, 1998).

Lister (2011, para. 6) notes that ‘scepticism has been expressed as to how [UC would reduce poverty]...in the context of the cuts taking place elsewhere in the benefits system’. That scepticism was seemingly borne out when the official estimations for the poverty reducing potential of UC were revised down from 550,000 adults and 350,000 children (Secretary of State for Work and Pensions, 2010b, p. 52) to 250,000 and 150,000 respectively (Esther McVey, then Parliamentary Under-Secretary of State for Disabilities, cited in Judge, 2013, p. 12). As a consequence, it is difficult not to conclude that in the varying aims of reinforcing wage work incentives and addressing poverty, it is the former which has taken precedence.

It can be argued that the Coalition government managed to do what Conservative Party governments were unable to do in the 1980s, the payment of wage supplements via the pay packet as a means of reinforcing what was described in Chapter 7 as its cultural importance in denoting household ‘independence’. We saw this in the more recent CSJ claims regarding the alleged moral superiority of the pound earned compared to the pound received in benefit. The gender implications, however, of UC suggest that the emphasis upon ‘independence’ in UC is not extended to women in married couples, for the single, monthly payment to one partner and the disincentives for second earners suggest that UC, like wage supplements before it, can be interpreted as buttressing the private patriarchal family, rather than encouraging women to do wage work or addressing their poverty.

# 10

## Minimum and Living Wages: Alternatives to Wage Supplements?

### Introduction

In *Social Security and Wage Poverty* so far the focus has been upon debates about, and the practice of, the British state supplementing wages. In this chapter we shift focus to examine a different means – regulating wages – of increasing the incomes of households where at least one person is in wage work. As has been demonstrated in the preceding chapters the issue of low wages, and particularly their perceived economic consequences, are not new to late modern times. However, the idea of wages as a form a predistribution – the ‘need to focus on market reforms that encourage a more equal distribution of economic power and rewards even before government collects taxes or pays out benefits’<sup>1</sup> – is arguably a new way of conceptualising an old concern; the contribution of employers to the social reproduction of their workers.

It is thought that the concept of predistribution came from the American political scientist, Jacob Hacker. It has been most closely linked in Britain with a speech made by the then Leader of the Labour Party, Ed Miliband (2012, p. 6), in which he compared predistribution to redistribution to highlight the former’s potential for the British wage structure. ‘Think about somebody working in a call centre, a supermarket, or in an old peoples’ home,’ Miliband (*ibid.*) said, ‘[r]edistribution offers a top-up to their wages. Predistribution seeks to offer them more: Higher skills. With higher wages. An economy that works for working people.’ He went on: ‘Centre-left governments of the past tried to make work pay better by spending more on transfer payments. Centre-left governments of the future will have to also make work pay better by making work itself pay.’ (*ibid.*)

The idea of predistribution has been criticised at a policy level for merely being a means of justifying austerity (Lansley, 2014). Ussher (2012) argues that there are two ways – ‘important but limiting’ and an ‘empowerment interpretation’ – of understanding predistribution. In the case of the former, she includes approaches which emphasise a need ‘to soften the collateral damage from the worst excesses of markets through regulation before the event’. In the case of the latter, approaches aim ‘to ensure that an individual can respond to the uncertainties of a global economy in a positive and confident way’.<sup>2</sup> She includes the development of

minimum wages in the case of the ‘important but limiting’ approach and asset-based welfare in the case of the ‘empowerment interpretation’. More specifically in the case of wages, Lansley (2014, p. 4) argues that a ‘weak’ version of predistribution ‘might aim merely to raise the earnings floor a little, by boosting wages only at the bottom’, while a more “radical” step would require measures aimed at a bigger boost to wages, a lower ceiling and breaking up the existing concentration of income and wealth’.

In these debates about predistribution, the two main approaches – the minimum wage and the LW – to addressing low wages are considered to be ‘limited’ and ‘weak’ in the terms of Ussher and Lansley. They are, however, the two approaches focused upon in this chapter as they are arguably the main ways of increasing the incomes of the lowest paid outside of the redistributive functions of wage supplements. Bennett (2014, p. 46), for example, suggests that the LW is ‘enjoying a renaissance’ and in recent years politicians of many persuasions have attempted to associate themselves with it (Lawton and Pennycook, 2013, p. 4). Bennett (2014, p. 49) argues that there are several reasons for the current interest in the LW which include renewed concerns with the ‘sweating’ of labour and the 2008 economic crisis, which provided ‘a catalyst for new ideas’ for delivering higher incomes to households where wage-earners are low paid. Here, for example, the effects of public sector retrenchment introduced as a politically mediated response to the 2008 economic crisis might be highlighted. We saw in Chapter 9, for example, that as wage supplements tax credits have not been immune from social security retrenchment in Britain. In this context, it is perhaps not a surprise that Conservative Prime Minister David Cameron has described the LW ‘as an idea “whose time has come”’ (cited in Lawton and Pennycook, 2013, p. 8), as has Ed Miliband, informed by the idea of predistribution noted above.

The next section of this chapter focuses upon debates about, and policies aimed at, regulating minimum wages, while the following section examines such issues in relation to the idea of the LW. These two sections explore histories of the two concepts before discussing contemporary approaches. The final section examines issues of gender in relation to both minimum and living wages.

## **Minimum wages**

While the first NMW in Britain was introduced in the 1990s, debates about, and the practice of, regulating wages has existed for centuries. The first approaches to regulating wages in England, for example, are located in the Ordinance and Statute of Labourers 1349–51. Rather than regulating for minimum wages, in the context of a shortage of labour caused by bubonic plague, they attempted to set wage levels at their pre-plague levels (Poos, 1983). They sought to set a maximum wage for labourers.<sup>3</sup> Powers later extended to local magistrates to regulate minimum wages in the Statute of Artificers of 1563 (see Tawney, 1979) were removed in the early 19th century, a consequence of liberal economic theory which, as we have seen, provided the philosophical basis upon which Britain’s rapidly expanding industrialism was premised.

In the second half of the 19th century pressure began to build to do something about low wages. It faced fierce opposition from the prevailing economically liberal ideology, first informed by wage fund theory and then, from the 1870s, by marginal utility theory. Both suggested intervention in wages would be ruinous for the British economy (Blackburn, 1991a, 2007a, 2007b, 2009). The focus was upon sweating which, in its broader application, included concerns with working conditions in addition to wages. However, in what eventually was to become the Trade Boards Act 1909, the focus was more narrowly upon wages. The 1909 Act allowed for the introduction of boards consisting of equal numbers of employer and worker representatives and independent members in industries in which wages were 'exceptionally low compared with that of other employments' (cited in Deakin and Green, 2009a, pp. 205–6). The boards had the power to set a minimum wage rate upon which piece rates could be based. Blackburn (2009, p. 215) suggests that 'by today's standards, the Trade Boards Act of 1909 was a timid and hesitant measure'. This was reflected in its limited coverage, initially of only four trades<sup>4</sup> employing no more than 200,000 predominantly, but not exclusively, female workers (Blackburn, 2007a). The limited nature of the act was, in turn, a consequence of the fact that it (and the post-war wages councils) were 'trapped in their collective laissez-faire origins' (*ibid.*, p. 215).

The Trade Boards Act did not introduce, even into the limited number of industries it covered, a uniform minimum wage. The wages set by boards, and reflecting the preference of both sides of industry for collective free bargaining, were at levels it was thought that industry could afford. In this context, board-set wages were arguably a poor relation to two further suggestions – a LW (discussed more fully below) and a universal minimum wage – which were familiar in the early decades of the 20th century. The main proponents of a universal minimum wage were Fabian Socialists Beatrice and Sydney Webb. In *Industrial Democracy* (Webb and Webb, 1902 p. 771, [originally 1897]) they made the case for a universal minimum wage as part of a 'national minimum' – 'the prohibition of all such conditions of employment as are inconsistent with the maintenance of the workers in a state of efficiency as producers and citizens'.

The Webbs used arguments for the introduction of a NMW related to their conceptualisation of parasitic industries. Industries could be considered to be parasitic in various ways, for example, having their less than subsistence wages subsidised by 'incomes of persons unconnected with the industry in question' (*ibid.*, p. 749) and by drawing 'on the capital stock of the nation' (*ibid.*, p. 751) by paying wages which were not adequate for social reproduction. The consequence was a 'deteriorating [of] the physique, intelligence, and the character of their operatives' (*ibid.*). To address such industries the Webbs recommended a minimum wage 'determined by practical inquiry as to the cost of the food, clothing, and shelter physiologically necessary, according to national habit and custom, to prevent bodily deterioration'. This would be a subsistence wage, rather than a LW, as recommended, for example, by J. A. Hobson (1896). For the Webbs (1902, 449), a wage beyond subsistence was problematic. 'The Doctrine of a Living Wage', for example, they argued had a 'difficulty of application', would be difficult

to calculate, and did little for unemployed and 'unemployable' people (Webb and Webb, 1902).

Despite interest in the state regulation of wages in the 1890s it would take a further decade before legislative action was taken on low wages. Blackburn (2007b, 2009) argues that this was because the prevailing economic orthodoxy shied from contemplating intervention by the state, despite the case being 'theoretically justified' (Williams, 1936, cited in Blackburn, 2007b, p. 65). Alfred Marshall (1898, p. 715 [originally 1890]), the 'leading marginal utility economist' (Blackburn, 2009, p. 221), for example, described the Webbs' national minimum as a 'faulty analysis of the nature of "parasitic" work and its influence on wages'. The coming together, however, of a number of factors changed public opinion about sweating. These included: the creation of an earnings and hours committee, which provided the first reliable data on such matters; the election to parliament of several Liberal (for example, Percy Alden, Charles Masterman and Leo Chiozza Money) and Labour (for instance, George Barnes, Keir Hardie and Will Crooks) MPs who were firmly anti-sweating; and the sponsoring by Quaker philanthropist George Cadbury of a sweated industries exhibition, initially in London and later in a tour of the provinces, and, as a consequence, the creation of the National Anti-Sweating League (NASL) (Blackburn, 2007a, 2007b, 2009).

Kahn-Freund (1972, p. 47) notes that the 1909 Act 'was considered as a revolutionary step, an interference by the legislature with the sacred law of demand and supply'. As such, it did increase the incomes of people working in those trades covered, thereby reducing the poverty they faced (Bean and Boyer, 2009), but it was limited in reach and structured by a wages as price concern with what industry was thought able to afford (Blackburn, 1991a), rather than the needs, even of a subsistence kind, of working people. In addition, those workers deemed to be less productive (most notably older and sick and/or disabled workers) could be exempted from the minimum, while lower rates were often set for younger workers and those learning trades, and women workers doing the same work as men (*ibid.*).

There are several reasons why the Trade Boards Act 1909 was thus structured. Davidson (1972) suggests there were tensions between civil servants (notably the Permanent Secretary at the Board of Trade, Hubert Llewellyn Smith) and Beatrice and Sydney Webb. Despite wider support for trade boards, Llewellyn Smith remained sceptical of them. However, following Hay (1978), Blackburn (1991a) argues that the importance of the civil service in restricting the introduction of the 1909 Act is overstated. In contrast, she points to the role of the NASL in pushing for its restriction. The NASL was a 'non-political body embracing all religious creeds and social philosophies' (Blackburn, 2009, p. 224). The consequence was little consensus among its members about what would represent a desirable extent of wage regulation. Its trade union members, for example, were concerned that a universal minimum wage would adversely affect free collective bargaining. Its large employer members supported trade boards, rather than a minimum wage, for social control reasons related to gender (Morris, 1986) and business reasons, such as maintaining production standards, reducing reputational damage

produced by poor quality work and preventing undercutting by poor employers paying sweated wages (Blackburn, 1991a, 2007a, 2007b).

Other influential NASL members opposed the minimum wage. So, for example, R. H Tawney was critical of the Webbs' subsistence version of a NMW which he saw as reducing workers to animals or slaves. He declared such a wage 'means that people are not paid what they are worth, but what is necessary to keep them working. That is how the horse or slave is paid' (cited in Blackburn, 2009, p. 231). Despite Tawney's position 'as one of the most important contributors to British Socialist thought in the twentieth century' (Blackburn, 1991b, pp. 107–8), his approach nevertheless had a resonance of orthodox marginal productivity theory, and while he did not want to see workers demeaned to the status of slave or animal, he did not seem to mind them being paid so little that many faced difficulties in supporting their social reproduction. His views, however, are understandable in reference to his political pragmatism. Blackburn (*ibid.*, p. 129), for instance, notes how 'Tawney's overriding desire [was] to reassure the Conservatives that trades boards were not the embodiment of economic folly, nor an oppressive use of the power of the state', while Tomlinson (2002) highlights that a NMW as an alternative to trade boards was politically implausible at the time.

Following the introduction of the Trade Boards (Amendment) Act 1918 the number of boards increased to 61 by the end of 1921. Despite facing waves of opposition from employers (usually in economically bad times) and trade unions (usually in economically good times) and the questioning of their efficacy by a 'manifestly conservative committee of enquiry'<sup>5</sup> in the early 1920s (Blackburn, 2007b, p. 81), a similar number (60) existed at the end of WWII. In the immediate post-WWII period, and because of the complacency borne of economic expansion and full employment (see Chapter 5), the pressure for both an expanded number of trade boards and a NMW diminished. Bayliss (1962) argued the post-WWII economic conditions meant the role of wages councils needed to be refocused and those which could be deemed 'unnecessary' should be abolished. Given that trade boards/wage councils were only ever supposed to be stop-gap measures while free collective bargaining mechanisms were developed,<sup>6</sup> Bayliss' argument was reflected in the views of trade unions (see, for example, Bayliss, 1958; Bowlby, 1957, 1958), the Donovan Committee (Royal Commission on Trade Unions and Employers' Associations, 1968) and the National Board for Prices and Incomes (Secretary of State for Employment *et al.*, 1971).

In the 1960s, however, consideration was given to the alternative – a NMW – to wages councils. Blackburn (1988, 2007a), for example, briefly mentions an inter-departmental working party considering the NMW in the late 1960s, and the view of the Donovan Committee that, because many low waged workers were in trades not covered by wages councils, there was a need to examine means, including a NMW, of supporting those workers. The NMW was, in fact, under consideration by officials from various government departments for most of the 1960s.

In 1962, for example, interest in a NMW developed in the context of incomes policy and the view that wages councils were 'becoming an anachronism', inhibiting rather than facilitating collective bargaining.<sup>7</sup> The idea that wages councils

were problematic was one of the reasons why a Working Party on a National Minimum Wage was created in 1964.<sup>8</sup> While it rejected the idea of a NMW as being too blunt an instrument, and therefore an overly expensive means of addressing the poverty of households where at least one adult was in wage work, a final, interdepartmentally agreed report was never produced as political and policy changes rendered its work uncertain.<sup>9</sup>

A second group of officials (the Interdepartmental Working Party on a National Minimum Wage) was set to work after the Secretaries of State for Social Security and Labour (Judith Hart and Ray Gunter) agreed that a NMW was worth considering in light of a Ministry of Social Security's (1967) report that demonstrated the majority of families with incomes below SB levels contained an adult working full time.<sup>10</sup> The conclusions of this working party were perhaps more balanced than the first. It highlighted that a NMW would be limited in tackling poverty because it 'would take no account of the variations in the circumstances of individuals which decide their particular needs' and would do nothing for the poverty of households outside of wage work, but that it would be consistent with the social justice concerns of the government's prices and incomes policy, and might make it 'more acceptable to the trade union movement'.<sup>11</sup> Reaction to the working party's findings, however, made it clear a NMW would not be pursued. Drawing upon a report from the government's economic advisers, the Chancellor of the Exchequer, Roy Jenkins, was particularly opposed, noting that 'it is out of the question that we should at some time enter into any commitment on the introduction of a national minimum wage, the cost of which would be greatly inflated by the commitment to equal pay'.<sup>12</sup>

The number of wages councils was reduced by fourteen between 1969 and 1979 and, despite the economic difficulties of the time, Blackburn (2007b) argues that, with the notable exception of the newly formed LPU, few opposed the reduction. Some academic economists (Kincaid, 1973; Bosenquet, 1973) were critical of their operation and their impact upon wage levels, and social policy academic Adrian Sinfield (1978, p. 146) argued that the effect of wages councils 'was to weaken trade union vigilance and commitment and remove the plight of these workers from public and political debate'. Wages councils stood accused of being a 'social anaesthetic' (Stevenson, 1980, p. 31).

Blackburn (2007b) argues that the more hostile labour relations environment of the 1980s encouraged trade unions to change position on wage regulation, resisting, for instance, further reductions in the number of wages councils. It was not unusual for unions to change their approach to minimum wage regulation (see Blackburn, 1988), but in the 1980s three factors – evidence suggesting the abolition of wages councils had acted to the detriment of working people, the weakening of free collective bargaining by the economic crisis of the 1980s, and a reaction to attacks by Thatcher governments on wages councils – came together to influence the changing ideas of trade unions (Blackburn, 1988, 2007b).

In Chapter 7 it was demonstrated that the CPRS was crucial in setting out a neoliberal approach to labour markets. Consistent with its main theme – that removing what it perceived as institutional fetters to (low) free market wages

could reduce unemployment – the CPRS argued that wages councils should be abolished. Its *Interim Report*, for example, noted that: ‘Insofar as Wages Councils enshrine in statute the principle of the going rate and the associated idea of a family wage, they are a fundamental obstacle to the generation of new jobs.’<sup>13</sup> The approach of the CPRS should not be a surprise for, as was shown in Chapter 7, it drew heavily on the work of orthodox liberal economist Patrick Minford who, with colleagues (for example, Minford, 1981, 1983), argued that wages councils were an unnecessary and damaging intervention in labour markets, and inconsistent with government aims of the tackling other economic fetters, such as trade unions. Hence, they argued ‘that a government which wishes to create jobs by curbing union power should also act in its own “backyard” by putting an end to minimum wages’ (1983, p. 118).

The CPRS saw the abolition of wages councils as a means of creating more employment by lowering available wage levels. However, it recognised that ‘there is widespread public suspicion that the abolition of wages councils would lead to the impoverishment of low-paid workers without any appreciable compensatory increase in employment’.<sup>14</sup> For the CPRS, there were medium- and short-term strategies to pursue in relation to wages councils. In the medium-term nothing could be done until Britain could withdraw from international agreements on wage regulation. These could not be ‘denounced before 1985’.<sup>15</sup> In the meantime, the Thatcher government would need to initiate ‘with European and OECD [Office for Economic Co-operation and Development] partners a debate on the need to reform the labour market conventions which impede employment’.<sup>16</sup> In Britain a campaign was needed ‘of public education, directed not least at employers, which would address people’s genuine fears about the consequences of low wages. An immediate purpose of this campaign would be to seek to persuade members of wages councils (while they still exist) to set more realistic minima.’<sup>17</sup> The CPRS recommended highlighting in the campaign familiar anti-wage regulation arguments, for example, that many people in low-paid waged work do not live in poor households, that the majority of unemployed people do not have children to support and that only a small proportion of jobs are taken by people with children to support on a single wage.<sup>18</sup> These arguments nevertheless confused the wage level agreed by wages councils with a family wage.<sup>19</sup>

Wages councils were abolished in the Trade Union and Employment Rights Act 1993, withdrawing wage protection from about 2.5 million workers, the majority of whom were women and minority ethnic people<sup>20</sup> (Blackburn, 2007b). This was despite resistance from both trade unions and some representative organisations of capital. While the IoD and the National Federation of Self-Employed and Small Businesses favoured the abolition of wages councils, others (for example, the CBI, the Chambers of Commerce and the Institute of Personnel Management) argued for their retention on the grounds that many employers preferred to negotiate through wages councils rather than via free collective bargaining, that such a move might lead to undercutting by poor employers, that it might lead to poorer industrial relations and, most presciently, it would lead to greater support for a NMW (Blackburn, 1988).

Given the attitude of 1979–97 Conservative Party governments to wages councils, it should not be surprising that they showed no support for a NMW. Drawing upon marginal productivity theory, and hence resonating with the opponents of regulated wages in the early 20th century, it was argued that such a wage would increase wage worklessness as workers would be increasingly expensive to employ and it would be inflationary as wage differentials between workers were reset. Hence, in a deft exercise in reasoning, it was argued a NMW would be of more benefit to better paid, rather than poorly paid, workers:

If you have a minimum wage, you raise low pay, but you raise pay throughout the economy. I say this because trade union leaders have made it perfectly clear that they are not willing to see any squeezing of differentials. Because of that, the majority of money that is used in order to pay the higher wages that result from a minimum wage goes to people who are better off. (Michael Portillo MP, then Secretary of State for Employment, Employment Committee, 1995, question 13)

The argument of Conservative Party governments was that job losses following the introduction of a minimum wage would come from the maintenance of wage differentials and that Britain would no longer attract inward investment or be able to compete in the global economy if wage costs were higher. In contrast, the preference of 1979–97 Conservative Party governments was, as we have seen, to supplement wages with means-tested benefits. Then Conservative Secretary of State for Social Security, Peter Lilley MP, told parliament:

We are making work worthwhile, by paying in-work benefits [such as FC] to those with families and high rent to pay. These policies are working. They are creating jobs, attracting inward investment and winning plaudits from foreign firms moving here. They are securing the ringing endorsement of objective bodies such as the Organisation for Economic Co-operation and Development and the International Monetary Fund. (House of Commons Debates, 1997d, col. 931)

For Lilley, wage supplements were an alternative to a NMW. They had the advantage of not interfering with wage differentials and, therefore, would preserve incentives for workers to increase their income through developing their skills and education. In contrast to such views, the 1986 TUC conference backed the introduction of a statutory NMW and by the mid-1980s the Labour Party had shifted position from its anti-minimum wage stance of the 1960s to one where a statutory minimum was seen as being a potential means of electoral success (Blackburn, 1988). The Labour Party's Commission on Social Justice (CoSJ) (Borrie, 1994), for example, argued that a NMW would exorcise the worst forms of exploitation, counter the undervaluing of female workers particularly and would help Britain compete economically by improving productivity. In addition, and in a combination of a continuation of the Speenhamland Scale myth and a resonance with

the Webbs' concern with parasitic industries, the commission concluded that the 'Exchequer cannot afford to subsidise exploitation pay' (*ibid.*, p. 201).

Shortly after being elected in 1997 the first Blair Labour Party government introduced the National Minimum Wage Act 1998. It heralded Britain's first NMW from April 1999. Unlike the contemporary Conservative Party attitude and earlier Labour Party view, Labour Party advocates of the NMW in the 1990s did not see it as being an alternative to wage supplements. In contrast, through the so-called making work pay strategy (see Chapter 8), the NMW would complement wage supplements as a means of incentivising wage work. This suggested a recognition that the NMW alone would be inadequate for the government's twin aims of incentivising people to take wage work and addressing (child) poverty. It also provided continuity with the two reviews of the NMW in the 1960s, which argued that the poverty justification for a NMW was weak because wage poverty was the consequence of the circumstances of low-paid workers for which wages could never be expected to provide.

Furthermore, the NMW was to have more in common with the trade board/wages councils than the notion of a universal subsistence minimum associated with the Webbs (Deakin and Green, 2009a, 2009b). The 1997 Labour Party government, for example, did not support the idea of an unilaterally imposed minima, preferring instead that the level of the NMW be informed by a Low Pay Commission (LPC) made up of a tripartite of commissioners from trade unions, employers and independent nominees. In addition, the NMW had no basis in notions of subsistence but was to be located in considerations of what it was thought the economy could bear. The LPC's aim, for example, was 'to recommend levels for the minimum wage rates that will help as many low-paid workers as possible without any significant adverse impact on employment or the economy'.<sup>21</sup>

Nor was the NMW, as its name suggests, to be equally applicable to all. It had several age- and training-related rates: for those workers aged twenty-one or over (£6.70 per hour);<sup>22</sup> those aged eighteen to twenty (£5.30 per hour); those aged under eighteen (£3.87 per hour); and a rate for apprentices (aged sixteen to eighteen and those aged nineteen in their first year – £3.30 an hour). Employers, therefore, could legitimately pay younger workers doing training lower wages than older and non-trainee workers. The apprentice rate, for example, was 49.3% of the 'adult rate', while the rate for workers under the age of eighteen was 57.8% and 79.1% for those workers aged eighteen to twenty. The low level of the NMW and its variations were the consequence of orthodox economic arguments about the impact of wage regulation, despite the fact that some argue (see Kaufman, 2009) any disemployment effects of the NMW are a positive feature of minimum wage regulation as they are a means of removing the social costs of the subsidisation of parasitic industries.

## Living wages

Wills and Linneker (2012) argue that the idea of a British LW first developed in industrial areas in the 1870s as the labour movement attempted, during an

economic crisis, to better the condition of working people. They note that the 'first full-length treatise in defence of a living wage' was produced by Liberal MP and factory owner Mark Oldroyd in the mid-1890s. Oldroyd's (1894) approach was an uncomfortable combination of wages as subsistence and wages as a price. He argued (*ibid.*, p. 8), for example, the LW 'must be sufficient to maintain the worker in the highest state of industrial efficiency with decent surroundings and sufficient leisure' and that it 'must not be a killing wage', one that destroys industry (*ibid.* p. 15). Hence, and drawing upon the work of Marshall (1898 [originally 1890]), Oldroyd (1894) argued that the worker 'ought not to expect to receive more than he earns' (*ibid.*, p. 23). In other words, workers could not expect to 'fairly claim more remuneration than an equivalent for the additional utility he [sic] puts into the materials upon which his labour was expended' (*ibid.*, p. 27). While Oldroyd outlined several potential ways of increasing wages, including increasing the efficiency of workers, reducing profit levels for capitalists and increasing prices, his work suggested, as a critique of collectivist approaches to social progress, that it was only through 'industry, frugality and virtue' that 'peace and plenty' could be secured (*ibid.*, p. 38).

A more critical approach came from 'radical economist' J. A. Hobson in an article about the LW in 1896 (Blackburn, 2007b, p. 64). Hobson (1896, pp. 128 and 129) argued that in addition to providing 'a wage of economic efficiency' and one that provided for 'the maintenance of all wholesome and pleasant elements of contemporary consumption', a LW would also need to provide, because of its progressiveness, for a 'margin of energy, of leisure, of material means and the needful conditions of the growth of new physical, intellectual and moral needs'. As we saw was the case with the Webbs' notion of a minimum wage, the idea of the LW gained little traction in the 1890s. Hobson, however, did not give up on the idea and became an influential figure in the 1920s in the framing of the ILP's LW policy (Brailsford *et al.*, 1926).

The idea of a LW had been central to the ideas of the ILP from its early years (see Blatchford, 1895), but a combination of factors, including the mass unemployment of the 1920s and falling wages in its early years (Constantine, 1980, 1983), and political disappointment with what was perceived as the populism of the Labour Party government (Jowett, 1926), led the ILP to create a committee to outline the detail of a LW policy endorsed at its 1925 conference (ILP, 1926). Although not a member of the ILP, Hobson was invited to join the commission which reported the following year (Brailsford *et al.*, 1926). The LW was to become the centrepiece of the ILP's *Socialism in Our Time* programme (Maxton, 1931), which was described by later Chancellor of the Exchequer and Prime Minister Gordon Brown (1986, p. 16), as offering 'British socialism a third way between Labour gradualism and Communism'.

Brailsford *et al.* (1926) argued that there were two broad justifications for introducing a LW. One was ethical and suggested that morality was violated when 'gross inequalities of income... forbid a great part of the population to attain, in its mental and even in its physical growth, the full stature of humanity' (*ibid.*, p. 8). The other was economic. In a proto-Keynesianism it was argued that the

low income of the mass of workers limited domestic demand for goods. 'We produce,' Brailsford *et al.* (*ibid.*) argued, 'less wealth than our technical resources would enable us to create, because the mass of the wage-earners lack "effective demand".'

For Brailsford *et al.* (1926), however, the LW was to be made up of two components, a minimum wage (or, more specifically, a 'minimum wage standard') and family allowances for children. They did not suggest a level for the minimum wage. It would be ascertained through advice from medical and social welfare experts and from 'practical housewives' to determine 'what scale of expenditure is necessary to satisfy the requirements, first of health and efficiency and then of cultural life' (*ibid.*, p. 31), and through a consideration of the proportion of national income shared by working people and the potential for increasing it. In what was an attempt to allay the fears of trade unions, the wage element of the ILP's LW was argued by Brailsford *et al.* (1926) to be the minimum that workers might expect to earn. Organised labour could negotiate higher wages and, given the aim of the LW policy, was to reduce wage worklessness, the negotiating position of organised labour would be strengthened by the introduction of the LW. According to Brailsford *et al.* (1926, p. 34) the demand stimulated by the LW would 'absorb the unemployed and transform the conditions under which every organised body of workers bargains for wages'.

In addition to the minimum wage standard, and influenced by the arguments of Eleanor Rathbone (1924), Brailsford *et al.* (1926) argued that family allowances would also be paid as part of the LW. Brailsford and colleagues were critical of wage demands premised upon the 'standard' family of two adults and three children (for example, Rowntree, 1918) and accepted Rathbone's gendered analysis that the LW was the 'only hopeful method of realising the ideal of "equal pay for equal work" as between men and women'. Brailsford *et al.* (1926) suggested that it would be 'desirable' for FAs to be paid at 6s or 7s per week. However, with an eye on potential competing budgetary demands (for example, for increases in old age pensions and a scheme of financial support for widows), they suggested 5s per week would be more realistic.

Ultimately, as an element of the *Socialism in Our Time* programme the LW was unsuccessful. Blackburn's (2007b, p. 83) critique that 'no agreement was reached on what might constitute a living wage' seems harsh, given that Brailsford *et al.* (1926) not unreasonably argued for the need for an investigation to establish a suitable level, but she is right to point to a lack of agreement over the LW in the wider labour movement. Both trade unions and the Labour Party were critical of it. Trade union leaders, such as Ernest Bevin, General Secretary of the Transport and General Workers' Union (TGWU), remained supporters of free collective bargaining and suspicious of the potential use of FA as a mechanism to hold down wages, a claim also made by founding member of the Communist Party of Great Britain, Rajani Palme Dutt (1927).

Brailsford *et al.* (1926, p. 20) were caught in a contradiction between the idea of wages as a price and wages as subsistence for, while they supported the Socialist maxim '[t]o each according to his [sic] need', they also believed the only way

of delivering incomes based upon such a principle to workers with dependent children was through the introduction of FA. In brief, 'the anomaly of fixing the worker's income without regard to the number of his children, must result, unless that income can be raised to an improbably high figure, in privation... as the family increases'. The implication was that wages would be best restricted to a level for an adult couple and portrayed the idea that free collective bargaining could not deliver an income 'to each according to his need'. Walter Citrine (TUC General Secretary, 1926–46) was reported as being 'particularly irritated at the ILP's insistence that trade union action alone would not be able to achieve the Living Wage' (Macnicol, 1980, p. 145). The trade unions were more supportive of state-provided services as these were 'more in keeping with the principle of collectivism and co-operation and as long as social conditions were so unequal money was far better spent in improving standards of housing, education and health services' (Land, 1980, p. 65).

In Britain the idea of the LW was to have to wait a further seven decades before it was to gain any real advance. In their submission to the Low Pay Commission, for example, UNISON and the LPU (2002, p. 7) argued that the newly introduced NMW should become a LW, set at a level which 'means nobody in full time work should fall below the poverty line or be reliant on state benefits'. This approach was important because it argued that people in full-time wage work, at least, should not have to receive wage supplements in order to not to live in poverty.

The trade union, UNISON, also supported the main driving force, TELCO, in its demand for a LW in late modern Britain. TELCO was particularly influential in supporting an accountability assembly organised by London Citizens at which all the candidates for the position of London mayor pledged to set up a low pay unit. The successful candidate, Ken Livingstone, set up a Living Wage Unit within Greater London Authority (GLA) Economics in 2004 (Grover, 2008b). Since the mid-2000s the idea of the LW has spread beyond Britain's capital and at the time of writing there were 1,275 enterprises accredited with the Living Wage Foundation as LW employers.<sup>23</sup> In recent years the case for the LW has been made by the Living Wage Commission (2014) and the Labour Party (for example, Buckle, 2014). Both support a voluntary approach to paying the LW, the former through a combination of moral pressure and information provision, and the latter through a subsidy (tax rebates) for employers paying it.<sup>24</sup>

The arguments for a LW remain economic and ethical. In the case of the economic, the argument is that the LW is a good in that it 'provide[s] a range of benefits for those employers able to afford it' (Living Wage Commission, 2014, p. 5). To counter arguments that, for example, the LW increases the costs of enterprises it is often suggested that it brings potential productivity gains (for example, lowering absenteeism and staff turnover) and greater efficiency (for instance, encouraging employers to consider how their resources might be more effectively used) (Living Wage Commission, 2014, as an example, Werner and Lim, 2015 for an overview). With regard to ethics, and drawing upon Ryan (1912), Waltman (2004) and Stabile (2008), Werner and Lim (2015) point to three themes that inform discussion of the ethicality of the LW: sustainability, capability and externality.

Sustainability can be understood in relation to social reproduction and to social sustainability. The former relates to the ability of people earning low wages to sustain themselves and their families. Stabile (2008), for example, argues that low wages lead to long wage work hours, diminishing the longer-term ability of workers to labour, reflected, for instance, in Jessop's (2002) arguments about the 'collateral damage' of capitalism, and which has resonance with the Webbs' earlier concern with relationships between low wages and industrial efficiency. Social sustainability refers to the idea that the LW can be justified on the grounds it helps to reproduce pro-social relationships. As Werner and Lim (2015) argue, 'economic inequalities within one society erode social cohesion and trust'. As a means of increasing wages at the lower end of the earnings spectrum the LW should help lessen the pernicious effects of economic inequality as outlined, for example, by Wilkinson and Pickett (2009).

Capability helps to justify the LW by suggesting it would enable working people to enhance their capabilities. Ryan (1912, p. 73), for instance, noted that an individual 'must have opportunity to develop within reasonable limits all his [sic] faculties, physical, intellectual, moral and spiritual'. Furthermore, and drawing upon the work of Sen (1999), various claims are made about the potential contribution of the LW to enhance the freedom and autonomy of workers as citizens (Waltman, 2004) and to their functions as workers and members of a particular society (Stabile, 2008). The externality argument for a LW refers to the idea, as espoused by the Webbs (Webb and Webb, 1902), of low wage industries being parasitic because they are subsidised through, for example, the payment of wage supplements to people in wage work and/or through the depletion of character and industrial efficiency.

Despite such claims, it can also be argued that the LW is constrained by its location within orthodox conceptualisations of wages (Grover, 2015). So, for instance, while proponents of the LW (for example, Oldroyd, 1894; Hobson, 1896; Brailsford *et al.*, 1926) have argued that such a wage should be paid at a level beyond subsistence, it is the case that some analysts equate it with subsistence (Bennett and Lister, 2010). Bennett (2014) also notes Anker's (2011, p. 14) work for the ILO on estimating LW levels in which he uses a family of four as their basis, because such a family 'roughly represents population replacement and it is reasonably consistent with fertility rates found in many developing countries'. Anker links the LW to population reproduction. In Britain the calculation of the LW is not directly linked to such ideas (GLA Economics, 2013; Hirsch, 2011). It is nevertheless, concerned with social reproduction (Wills and Linneker, 2014). In both approaches, however, and in a more culturally sensitive way compared to 18th and 19th century political economists, the LW is conceptualised as a subsistence wage concerned with physical and social reproduction. In this context, criticism of the LW (Dutt, 1927, pp. 95–96) that it was merely a means of supporting 'wage-slavery and of the buying and selling of labour power' made in the 1920s by the Communist Party is still relevant.

In addition, it can be argued that contemporary versions of the LW are also structured by the idea of wages as a price. Such an approach is clear, even among

LW supporters, in resistance to making such a wage a statutory requirement (Pennycook, 2012; Living Wage Commission, 2014). This resistance is driven by orthodox economic concerns with the ability of enterprises to afford a LW, in particular the argument that if employers were legally obliged to pay all workers a LW wage worklessness would increase. Such concerns suggest there are sectors of the economy where workers are justifiably paid a low wage because the market is held to be unable to bear any more. For a LW to apply to all workers its roots in orthodox economic theory would have to be challenged.

Furthermore, hegemonic conceptualisations of LWs in Britain ‘do not precisely do what they say on the tin’ (Lawton and Pennycook, 2013, p. 4). The LW is calculated in relation to a basic, but socially acceptable, standard of living. The assumption in the calculation of this standard is that the hourly LW is net of any entitlement to wage supplements and other benefits that can be claimed by people if their incomes are low enough. GLA Economics (2013) explains that such an approach is taken because ‘the tax and benefit system is, by design, redistributive’. However, previously it argued (GLA Economics, 2005, p. iii) that in addition to the redistributive factor, existing wage supplements and means-tested benefits are taken into account to ensure ‘that disadvantages are not placed in the way of securing employment’. Once again, orthodox economic concerns help to frame (and ultimately reduce) the level at which the LW is set. Such an approach to the LW is, however, inconsistent with other approaches which suggest people should be paid high enough wages so that they do not have to rely upon means-tested wage supplements to make up their income to even a basic level (UNISON and the LPU, 2002; Bennett, 2014).

## **Gender and minimum and living wages**

Given the notion of wages as a social practice, it is possible to argue that debates about, and policies regulating, minimum wages reflect and help constitute gender relations. In this section such issues are considered by examining the role of organisations representing women wage workers in debates about sweating in the development of the Trade Boards Act 1909 and exploring the ways in which gendered roles have been constructed through more recent debates about the LW.

### **Trade Boards Act 1909: wage working women unite?**

It is claimed the Trade Boards Act 1909 is a good example of paternalistic policy making. Skocpol and Ritter (1991, p. 36), for instance, argue it was one of a number of policies whereby ‘male bureaucrats and party leaders designed policies “for the good” of male wage-workers and their dependents’. While policy making was controlled by men in the early 20th century, the origins of the Trade Boards Act 1909 were not paternalistic in nature (Hart, 1994). Hart (*ibid.*) argues that from the 1890s they were located in the often conflicting concerns of a number of organisations, including the Women’s Trade Union League (WTUL) and the Women’s Industrial Council (WIC).

These organisations differed in their analyses of the causes of, and solutions to, sweating,<sup>25</sup> but they recognised it was ‘essentially a problem affecting women’ (Morris, 1986, p. 135). It was not the case that only women worked in trades that were notoriously low paid. However, in the four trades initially covered by the Trade Boards Act 1909 they were either in the majority (90% of box makers and 62% of lace workers),<sup>26</sup> or represented a high proportion of workers (46% in tailoring), or they represented a small proportion of workers, but their condition in the trade was felt to be so offensive to middle class gender morality it was deemed necessary to take action. This was the case in chain making where it was estimated that 30–40% of workers were women, but the nature of the work caused moral outrage: ‘As one looks in the shop lit up with the glare of the fire and hot irons and sees the women bare-armed and bare-chested, perspiring and working with feverish eagerness, ... the shock to the sensibilities of the visitor is almost overpowering.’ (Cadbury and Shann, 1907, cited in Hart, 1994, p. 57)

Morris (1986) argues the focus upon those trades containing high proportions of women at the expense of others where the proportion of males workers was higher (for example, dock work) is evidence that the main concern, informed by organisations purportedly representing the interests of working women, was with the social control of women workers – excluding women by increasing the wages of male workers in those trades and removing ‘inefficient’ and ‘pocket money’ workers from them. This, she argues, was a consequence of the influence of Victorian ideas on the nature and role of women. For Morris (*ibid.*, p. 111), organisations like the WTUL and WIC were ‘dominated by middle-class women, who, although motivated by the best of intentions, were primarily guided by the Victorian bourgeois ideology of the way in which working-class women should be fulfilling the role of wife and mother’.

Hart (1994) is less condemnatory of the WTUL and the WIC than Morris (1986), locating the women at the forefront of the demand for minimum wages between, and trying to balance, their respective class based (for example, Mary Macarthur’s view that sweating was a class, rather than a gender issue) and gender based positions (for instance, Margaret MacDonald’s concern with ‘women and homes’, *ibid.*, p. 29). For Hart (1994), the Trade Boards Act 1909 was gendered in all but name. It was of more benefit to women than men, because of the concentration of women in sweated industries, but she also argues (*ibid.*, p. 59) that construing sweating in the parliamentary process as a class, rather than a gender, issue had the advantage that ‘easy arguments about the “weaker sex” or patriotic arguments about motherhood’ were avoided. As a consequence, the Trade Boards Act 1909 represented a:

small advance for the equal rights of women at work in its recognition of women as workers, and the apparent acceptance that although women might be at work because of their family role, they should not be paid on the basis of their family. It was to be a minimum wage law ... addressed to malfunctions of the economy, not to the moral economy of the family. (*ibid.*, p. 59)

Hart (1994), however, also points to the fact that the gender neutrality of the Trade Boards Act 1909 belied the inequalities upon which the economy, and labour markets in particular, were based. It did not, for example, provide for 'equal pay for equal work', and because the setting of wages was left to the respective trade boards, drawing upon the traditions of those industries, 'the way was left open for the replication of existing sexist patterns of wage differentials' (*ibid.*, p. 60).

### **Living wage and gender: androcentric wage work?**

One of the reasons for an increasing interest in the LW in Britain was the abolition of wages councils in the 1990s. Some of the arguments, particularly those which suggested there was little need for regulated wages as the majority of 'people live in households with at least one other source of income' (Gillian Shepherd, then Secretary of State for Employment, cited in Hart, 1994, p. 177), were arguably a reversion to pre-trade boards days where the consideration was the moral economy of the family, rather than the economic contribution of working women. Such arguments are important, for, and contrary to principles that economic liberals like Shepherd are supposed to adhere to, they suggest that factors outside of the value workers add to production (in this case familial income) should help to determine wage levels. Given that women still predominated in industries protected by wages councils in the 1990s,<sup>27</sup> the gendered implication was that it was legitimate to pay women less than men if they lived in couple households, as they could rely upon men to support them. This assumption is problematic, as we have seen, because the inter-household distribution of income is often not equal in couple households. It is also problematic in its assumption that the dependency of women upon male breadwinners is both desirable and unproblematic.

Does the LW overcome such concerns? Central to this issue is the closeness of the relationship between the idea of the LW and that of the family wage. The idea of the family wage has been around for many years. In the early 20th century, for example, Rowntree (1918) argued for a wage high enough to support a one-earner family with three dependent children. There were practical problems with this idea. As Rathbone (1924) pointed out, it would leave many larger households in need, while overproviding for smaller ones. Rathbone though, as we saw in Chapter 5, detested the idea of the family wage at the level of principle because of its framing assumption that women had little to contribute to society – that they were 'parasitic, accessory, non-essential' (*ibid.*, p. viii) – because of their dependency upon male breadwinners.

Many contemporary claims to a LW are closely linked to the notion of the family wage (Brenner, 2002). This can be seen, for example, in the calculations of LWs in and outside of London, which use a basic living costs approach and a minimum income standard approach respectively. Both have historical roots in the 'basket of goods' approach to measuring poverty pioneered by Rowntree (1901). Furthermore, while those calculating the LW are careful not to make assertions about who full- and part-time earners might be in households, their approach is also gendered in all but name. This is because men are much more likely to work full-time in Britain compared to women<sup>28</sup> and the LW is much more

likely to meet its aim of ensuring 'every worker in the country will earn enough to provide their family with the essentials of life' (Living Wage Foundation, cited in Bennett, 2014, p. 51) for full-time wage workers or for households with a full- and part-time wage worker. The implication is either that women, particularly lone mothers, adopt an androcentric approach to wage work by working full-time, or they risk, even when being paid an hourly LW, of not having a wage high enough for their own and their families' needs. This is problematic because it privileges men's wage work patterns and demands that women become more like men for a similar level of well-being. As Fraser's (1994, p. 559) observation that social policies 'should not require women to become like men, not fit into institutions designed for men, to enjoy comparable of well-being' suggests there are philosophical objections to such an approach (Grover, 2005).

## **Conclusion**

In recent years faith has been placed in wages to deliver, in a form of predistribution, higher incomes for working people and families. Pledges in the run up to the 2015 general election in Britain included support for increasing the NMW and for a voluntary LW (although in the Labour Party's suggestion encouraged through tax incentives for employers). The effects of the NMW and LW in terms of wage poverty are complex. As has been recognised for many years, the effects of such approaches to wages depend very much upon the level at which they are set, and they are of more value to working people who do not have dependent children and households that have more than one wage worker. They are least effective at tackling poverty in households that only have one wage worker, such as those headed by lone mothers and households where, for whatever reason, only one of a couple works and where at least full-time hours are not being worked.

While any approach that divorces wages from marginal productivity theory might be welcomed for its symbolic value, it is the case that, as currently conceived in Britain, the NMW and the LW for many households cannot replace wage supplements. We have seen, for example, that the 1997 Labour Party government's view of the NMW had shifted dramatically from the 1960s when Wilson governments (twice) rejected such a wage. In the 1990s the Labour Party government was careful, however, not to use the argument that the NMW would tackle poverty. In contrast, it used a moral argument, that it was the 'decent' thing to do.<sup>29</sup> However, Labour governments in the 1990s and 2000s recognised, as the ILP had done six decades earlier that wage poverty, at least for households with dependent children, could not be addressed through minimum wage regulation alone. Allowances for children would also have to be available, which we saw in Chapter 8 were developed by Labour Party governments through the CTC.

For households with dependent children, while the LW undoubtedly requires employers to make more of a contribution to social reproduction, its conceptualisation in Britain means it is in fact little more than an enhanced minimum wage, payable on a voluntary basis. Because of the economically orthodox analyses through which the LW is framed, it too cannot address poverty in households

with dependent children alone. It still requires wage supplementation for such households to reach what is better described as a living income than a LW. This is particularly the case for women who are either required to adopt androcentric wage work patterns or to live as dependents on men to benefit materially to any great extent from the NMW and the LW.

In this context, it is difficult not to concur with critics of predistribution who suggest it is a means of securing austerity, for, as we have seen, enhanced wages for people at the lower end of the earnings spectrum is presented as a means of reducing the cost of supplementing wages. In this context, as increased wages are perceived as a means of delivering savings to public spending, their potential impact upon household incomes is weakened. Reed (2014), for example, estimated that increasing the NMW by £1.50 per hour would result in a gross average increase in income of £1,400 for 4.6 million workers. However, because that would provide a net contribution of £2.1 billion for the Exchequer in increased taxation and lower wage supplements, the net average increase per worker is £813 per annum or £15.63 per week. This is not to argue that wage workers should not pay direct tax on their earnings, but demonstrates the fact that attempting to tackle wage poverty via wages alone will require substantially more than commitments to increases in the NMW and a voluntary approach to the LW.

# 11

## International Experiences of Wage Supplements: New Zealand and the USA

### Introduction

So far the focus in *Social Security and Wage Poverty* has been upon Britain. Perhaps unsurprisingly, it is not the only country which is attempting to address a range of policy dilemmas related to the economic and social implications of wage poverty. Countries in both global north and south are concerned with the labour market and distributional effects of such poverty.<sup>1</sup> Most importantly, Britain is not the only country to have introduced wage supplements in the hope of addressing some of these dilemmas. So, for example, in their study of twenty-two nations Bradshaw and Finch (2002) found that eleven had allowances or tax credits which were dependent upon employment status,<sup>2</sup> while Immervoll and Pearson (2009) found that half (16 out of 30) of OECD countries had either time limited (transitional) or time unlimited (permanent) benefits for people in wage work, or both.<sup>3</sup>

As it is not possible to do justice in a single chapter to the various countries with wage supplements, this chapter focuses upon two examples, New Zealand and the USA. It might be argued that to examine two further liberal welfare state regimes is rather narrow in focus. However, while both are now considered to be such regimes, their experience of wage supplements is very different. New Zealand's, for example, is rooted in the destruction from the 1980s of what had previously been described as a 'wage earners' welfare state'. In contrast, the USA's experience is rooted in a welfare regime which, in a traditional liberal sense, saw welfare interventions as something which should be residual. So, unlike New Zealand, the USA did not have universal FAs following WWII. In addition, while the USA did have a federal minimum wage from the late 1930s, which by the 1960s and 1970s it is argued 'roughly equalled the poverty level for a family of three' (AFL-CIO, 2000, p. 3), it was relatively less generous compared to the arbitrated fair wage of New Zealand, a wage which was set at a level related to the costs of living for two adults and two children. At least in part, because of these differences the USA was an early comer to debates about means-tested wage supplements in the post-WWII period (the 1960s, compared to the 1980s for New Zealand). However, despite having a shorter lifespan in New Zealand compared

to the USA, wage supplements there have nevertheless seen greater change than the federally based EITC in the USA, which in policy terms has been fairly stable since its introduction in the 1970s.

The following two sections discuss the development of wage supplements in New Zealand and the USA, and the most prominent issues which have been raised about them in the two countries. The chapter concludes that while in both cases a concern with the social consequence of wage poverty is visible in the initial development of and, particularly in the case of New Zealand, later changes in, wage supplements, those concerns were subordinated to a range of economic concerns that in the USA included boosting demand for goods and services, and in the case of New Zealand included encouraging wage workless people into entry-level work. In addition, the chapter suggests that the social embeddedness of capital accumulation is demonstrated by the gendered and 'race'/ethnicity considerations of wage supplementation which, for example, in the case of New Zealand led to human rights concerns with the nature of wage supplements. In particular how, because they only increase the incomes of households in wage work, they condemn wage workless families to live in greater levels of poverty compared to those where adults are in wage work.

### **New Zealand's Working for Families Tax Credits**

Between 2005 and 2007 the tax credit system which delivered financial support for families with dependent children in New Zealand was overhauled (Office of the Minister of Finance and Revenue and Office of the Minister for Social Development and Employment, 2004). By the end of the process New Zealand had four tax credits, collectively known as the Working for Families Tax Credits: Family Tax Credit (FTC); In-Work Tax Credit (IWTC); Minimum Family Tax Credit (MFTC); and Parental Tax Credit (PTC). The FTC is akin to the UK's CTC in that it is payable only for children and its main qualification is household income, rather than the relationship of the adults in households to wage work. In contrast, IWTC is only paid to people in wage work.<sup>4</sup> MFTC has similar qualification criteria to IWTC – working hours and means-tested – and is designed to top up household income to a minimum weekly amount. Parental Tax Credit is available for a short period of time (ten weeks) on the birth of a child to any family, providing their income is low enough.<sup>5</sup>

This section is concerned with the development of Working for Families Tax Credits. However, to understand their development it is necessary to locate them in the changing political economy of financial support for families in New Zealand from the late 19th century to the early 20th century.

### **From a fair wage to market wages and wage supplements**

Castles and Shirley (1996) note that the Antipodean nations had a reputation for state experimentation in the late 19th and early 20th centuries. Much of this experimentation they argue was focused upon institutions and policies to help manage the tripartite concerns of capital (a desire, for example, of manufacturers

to develop their businesses), working people (for instance, for higher wages) and the state (in, for example, the promotion of national development). In both Australia and New Zealand the 'pivotal aspect of this state experimentation' (*ibid.*, p. 91) was the development of institutions with the role of setting wages. It is fair to say that at the international scale the development of such institutions in Australia were of more importance, with, for example, the wages boards of Victoria becoming the model – limited to selected trades and consisting of the equal representation of employers and wage workers – for trade boards introduced in Britain in the early years of the 20th century (see Chapter 10).<sup>6</sup>

In New Zealand, rather than taking a wages council approach, wages were to be regulated through the Arbitration Court, an approach criticised by Beatrice Webb for setting a maximum, rather than a minimum wage (Blackburn, 2009). Castles and Shirley (1996, p. 91) argue that the regulation of wages in New Zealand (and Australia) 'promised wage levels sufficient for wage-earners to support themselves and their dependents in decent comfort'. The work, therefore, of the Arbitration Court was seemingly informed by the notion of wages as subsistence and had important implications for the development of social welfare benefits in New Zealand. Castles and Shirley (1996) note that the implications of regulated wages were that social welfare benefits could be residual rather than universal, flat rate rather than earnings related, and that they should be funded from taxation rather than via employee and/or worker contributions. The justification for such social welfare benefits was the effort which was to be put into ensuring a fair wage for wage workers. A fair wage, alongside high levels of wage work, so the argument goes, meant social welfare benefits would only ever have to be claimed by a minority of people not in wage work; that they would only ever be secondary to, and paid at a level below, regulated wages, and the only right should be a right to a fair wage, rather than a right to benefits suggested by the contributory principle (Castles and Shirley, 1996).

There were several problematic features of this notion, described by Castles and Shirley (1996, p. 99) as 'social protection by other means'. First, even with regulated wages many working families in New Zealand continued to face financial hardship. This was because the Arbitration Court set (male) wages at a level related to the cost of living for families with two adults and two children (McClure, 1998). Larger families, therefore, often faced economic penury. While tax exemptions had been introduced in 1914, they were of no value to people who did not pay income tax (the majority of wage workers). This issue, combined with pressure from Labour MPs, a concern with the birth rate in New Zealand and civil service interest in the industrial value of family allowances in improving the wage work-related potential of working people, led to the introduction of a low and means-tested FA in the Family Allowances Act 1926 (*ibid.*).<sup>7</sup> Its low level was criticised for doing little to tackle poverty, and it had little effect on birth rates, which continued on a downward trend in the context of high unemployment and falling wages in the late 1920s and the 1930s. The payment of FA was also structured by discrimination against Māori people who were more frequently refused it compared to Pākehā people (New Zealanders of European descent) (*ibid.*).

In addition, the fair wage was premised upon the idea that men should earn enough to support a wife and two children. Hence, the private patriarchal idea of female dependency was also an inherent feature of regulated wages in New Zealand. The introduction of FA did little to challenge the social basis of New Zealand's concerns with the poverty of families where adults were in wage work for, while the FA was paid to mothers, the application had to be signed by fathers. McClure (*ibid.*, p. 42) argues that this was because the New Zealand government wanted to 'ensure that a woman's basic protection remain her husband'. Hence, FA was only paid to women in households where the father was the breadwinner. At least for the then Commissioner of the Pensions Department, G. C. Fache, FA was a means of supplementing the wages of male breadwinners to encourage private patriarchy:

the principle of the Family Allowance Act is to merely assist the earnings of the father... and if we allow infringement of that principle we shall not be able to close the door... it would no doubt have a tendency to encourage desertion throughout the country, so lightly does the marriage tie seem to be regarded nowadays. (cited in McClure, *ibid.*)

In the Social Security Amendment Act 1945 a universal Family Benefit (FB), introduced at the rate of ten shillings per week for all children, replaced FA.<sup>8</sup> In many ways, the reasons for its introduction extended arguments – placing downward pressure on wage increases and potential birth rate effects – which had been made in previous years for the introduction and extension of means-tested FA. In addition, and in the context of post-WWII optimism about the future, it was argued that a universal family-related benefit would increase contentment by encouraging marriage, an argument made by both industrialists and the media (McClure, 1998). Pressure was also exerted by moderately paid middle class professionals who argued, that not only did they face financial difficulties after the birth of children, but that receipt of the benefit would be good for the poorest people as it would symbolise the view that it was not a 'charitable allowance' (cited in McClure, 1998, p. 102). As was the case in other countries (see Chapter 5 on Britain), FB was essentially neglected in the post-WWII period. It was not indexed to cost of living increases and, while it was doubled in value in 1979, the opportunity for indexation was once again eschewed. The consequence was that by 1983 it was only worth three per cent of average wages, when it had been worth eight per cent in 1946.<sup>9</sup>

For Castles (1985, see also Deeming, 2013) post-WWII New Zealand can be understood as having a 'wage earners' welfare state' because of the continuing importance of wage regulation for a fair wage via arbitration and conciliation, and a commitment to full employment. Such a welfare state, that was so heavily reliant on what we saw in Chapter 10 is described as 'pre-distribution' (Deeming, 2013), was problematic because of its poor treatment of people outside of wage work, and due to its reliance upon high levels of wage work and arbitration for fair wages. In brief, the wage earners' welfare state was reliant upon favourable

economic and ideological conditions, both of which were to deteriorate from the 1970s. Unemployment, for instance, rose from 1977 to reach nearly six per cent by 1983. This 'came as a shock to a country with an outstanding record of virtual full employment' (Starke, 2005, p. 6). Initially though, it had little effect on the direction of policy. Starke (2005), for example, argues that the 3rd National government (1975–1984), despite pressure from its party members and New Zealand's Treasury, refused to pursue neoliberal policies like Reganomics in the USA and Thatcherism in Britain. While it did freeze wages, it also used public spending upon infrastructure projects to help maintain wage work.

The situation, however, was to change with the election of the 4th Labour government in 1984 for, as Nagel (1998, p. 223) argues, in the following decade: 'New Zealand underwent radical economic reform, moving from what had probably been the most protected, regulated and state-dominated system of any capitalist democracy to an extreme position at the open, competitive, free-market end of the spectrum.' For Nagel (1998), among other things, this observation raised issues related to a seemingly contradictory set of ideologies and practices. Most notably, it was a government of the left which was to put in motion reforms that were anti-statist and which would exacerbate poverty and inequality, and, as such, were more associated with the neoliberal right in other countries. The liberalisation of New Zealand's economy was driven by the Minister of Finance, Roger Douglas, and The Treasury, who mutually advocated 'a state system that reflected the goals, management structure and ethos of the private sector' (Castles and Shirley, 1996, p. 98).

The position of social policy in the shifting economic paradigm of 1980s New Zealand is debated. Castles and Shirley (1996, p. 94) for example, cite Koopman-Boyden (1990) who questioned whether the 4th Labour government had such a policy. Castles and Shirley's (1996) argument, however, is that its social policy tended to be reactive, rather than proactive, which was different to even the 3rd National government of the 1970s. It is also argued that the neoliberal shift of the 1984–90 Labour government in New Zealand led to a longer-term effect by creating an ideological and political context in which the deep cuts introduced by the 4th National government following its election in November 1990 could easily take place (Castles and Shirley, 1996).

What is of most importance for this book is the effect that economic liberalisation had on both socio-economic conditions and the policies which, until the 1970s, were, as noted above, understood as being the main elements of New Zealand's social protection system, such as maintaining fair wages and full employment. In the case of socio-economic conditions, New Zealand witnessed increased wage worklessness and, partly as a consequence, in the second half of the 1980s declining real wages for many working people. In addition, there was increased wage dispersion. Those workers in the highest quintile saw their share of the real gross wage and salary income increase, while those in the bottom three quintiles saw it fall (Brosnan and Rea, 1992).

In November 1990 the 4th National government was elected. With it, Bray and Neilson (1996) argue that what had begun under the previous Labour government

was completed. For them (*ibid.*, p. 82), for example, the Employment Contracts Act 1991 ‘heralded the final step in the establishment of the New Right paradigm ... and probably represent[ed] the most radical withdrawal of the state from labour market regulation in the developed world’. The Act effectively destroyed collective bargaining by removing the exclusive rights trade unions previously had and replaced it with the individualistic assumption that wages were best negotiated between the wage worker and their employer (Hince and Vranken, 1991; Bray and Neilson, 1996). While pressure for the liberalisation of industrial relations had been growing during the 1980s (Hince and Vranken, 1991), in a stroke the Employment Contracts Act 1991 removed the basis on which the wage earners’ welfare state had been premised.

We have seen that the universal FB replaced the previously means-tested FA in the post-WWII period and took on the role for poorly paid working families of assisting (male) earnings. However, by the mid-1980s the effectiveness of that assistance was questioned by differences in the economic protection afforded to income poor people who were in and out of wage work. As has been noted, FB was not indexed linked, but benefits for those people who were not in wage work were. This was deemed problematic because wage freezes that had been implemented between 1982 and 1984 meant low income working families were facing financial hardship for which there was little state support. McClure (1998) notes the Department of Social Welfare had suggested to the incoming Labour government in 1984 a wage supplement as a means of addressing both social distress in such circumstances and wider political economic concerns. In this context, the suggestion of a wage supplement (what was to be introduced as Family Care, FCa) was framed by similar arguments to those used to justify the introduction of FB in 1946, a possible role in restraining wage rises and in encouraging higher productive output (McClure, 1998). Family Care, however, was to be paid to a limited number of people and, rather than it being seen as part of a policy of fair wages, was part of an attempt to ‘boost people’s participation in a low-wage workforce’ (*ibid.*, p. 216).

Following the poor take-up of FCa, and an outcry regarding the fact that it was only available to poor families where at least one adult was in wage work when it was advertised on the more generic basis of ‘Help when you need it most’ (an issue which was to become the focus of a human rights challenge in later years – discussed below), it was replaced in 1986 by Family Support which was payable to all income poor households no matter what their status was *vis-à-vis* wage work. Guaranteed Minimum Family Income was also introduced in 1986 as a means of directing support to the very poorest families with an adult in wage work.

A discreet wage supplement – the Independent Families Tax Credit (later to become Child Tax Credit) – was introduced by the 4th National government in 1996. It was a reflection of the wage work-focused social policy of this government which was outlined in the paper, *Social Assistance: Welfare that Works* and which in practice took several forms – for example, a reduction in the nominal value of out of wage work benefits of nearly a quarter (24.7%) (Starke, 2005, p. 14), and the strengthening of wage work-related conditionality (O’Brien, 2008). The

focus upon wage work was arguably an extension of the trends developed under the 4th Labour government, but it also pointed to developments under the future 5th Labour government. In this context, while the immediate justification for reductions in the level of out of wage work benefits and increased targeting through the extension of means-testing<sup>10</sup> pursued by the 4th National government was the economic crisis of 1990, the focus later became a concern with 'dependency'. O'Brien (2008, p. 179), for example, highlights how, from 1994, the Department of Social Welfare sought to reshape social security policy as a means of tackling 'dependency' by making it 'a hand up, not a hand out' and being a means of shifting the focus from 'from welfare to well-being'. This shift hinted at the potential role of social security policy in social development, which was to become explicit after the election of the 5th Labour government in 1999.

### Working for Families Tax Credits

As noted above, Working for Families Tax Credits were phased in between 2005 and 2007. The immediate justification for their introduction was that the extant social security system was not in tune with the economic and social demands of late modern New Zealand. The 5th Labour government's paper, *Pathways to Opportunity* (Ministry of Social Policy, 2001, p. 1), for instance, condemned the policies of both the political right and left: on 'the one side... those who see benefit payments as just a drag on the economy; on the other side... the supporters who only want a constant injection of money, despite changing needs and times'.

For the Labour government those 'old' discursive ways of understanding social security needed to be replaced by an understanding of it as an economic investment. It was argued (*ibid.*), for instance, that 'the \$5.4 billion we [the New Zealand government] spend each year on benefits must be an investment in people's potential'. Potential, however, was narrowly defined in relation to wage work. What was described as the new 'social development approach' would help 'people... develop their job skills, and provide a springboard for them to move to new opportunities' (*ibid.*). While it was argued that there were social reasons for this change of approach (for instance, wage worklessness was argued to be 'bad' for working age people and, if they had one, their families), the main argument for the change was economic, to focus upon the 'purpose of social security in [New Zealand's] economy' (*ibid.*). It is possible to argue, therefore, that *Pathways to Opportunity* subordinated the social concerns of social development to economic concerns. The aim was to match people with market opportunities, rather than, for example, being concerned with social justice and welfare (as an outcome) (Lunt, 2008).

There was also a tension at the heart of these plans, for while *Pathways to Opportunity* seemed, at least initially, to be concerned with upskilling – giving 'everyone the opportunity to benefit from the high skill economy that is developing in New Zealand' (Ministry of Social Policy, 2001, p. 1) – the main problem with the social security system was held to be that it 'often does not assist people to take on the risks of an entry-level job or take the first step towards a new career' (*ibid.*, p. 3). In this sense, *Pathways to Opportunity* was a conservative document,

reiterating concerns of past years in New Zealand and arguments being made on the broader, international scale about the potential effects of out of wage work benefits on incentives to take entry-level wage work. To address these issues *Pathways to Opportunity* noted that, in addition to other measures, there would be a 'new approach' to 'making work pay', an approach that would help tackle what has been described in previous chapters as the unemployment and poverty traps by financially incentivising people to take low-paid wage work and to earn more once they were in such work.

Lunt (2008, 2010) describes *Pathways to Opportunity* as a discursive element of the competition or social investment state. With a resonance of developments occurring in other countries, Lunt argues that as a part of the social investment state *Pathways to Opportunity* was a document looking to the future. This was problematic because in that forward gaze it neglected the need for resources to 'tackle historical poverty and inequality' (Lunt, 2010, p. 32). In some ways, Lunt's work suggests that this was a constructive development; that at least social policy was seen in a positive light, as a potentially 'dynamic force rather than solely a drag on economic progress' (*ibid.*, p. 30). It was more troublesome, however, in the sense that any attempts to tackle social issues, such as the child poverty with which *Pathways to Opportunity* professed a concern, were to be addressed through its substantive focus upon making work pay (*ibid.*).

For Porter and Craig (2004, p. 416), the focus upon making work pay in New Zealand was essentially concerned with labour discipline by creating a 'gap...between included, activated poor [people] and their peripheral, residual peers'. Although they do not describe it as such, Porter and Craig (2004) are essentially pointing to what has been described in *Social Security and Wage Poverty* as the less eligibility thrust of wage supplements. Their lack of location of the making work pay approach in New Zealand in such discourse is surprising. This is because they argue that *Pathways to opportunity* was part of an 'inclusive liberalism', the aim of which, and drawing upon the work of Karl Polanyi (1957, originally 1944), could be understood as a means of legitimising and re-embedding a socio-economic order, which sought to confirm the pro-(global) capital credentials of New Zealand governments.

Then Minister of Social Services and Employment, Steve Maharey, was asked by the Labour Cabinet in 2002 to consider ways of fundamentally redesigning the existing system of family income assistance in order to address the issues raised by *Pathways to Opportunity*. His suggestion was to replace family income assistance with three distinct streams of financial support. For adults it would be provided by the benefit system (then Domestic Purposes Benefit, DPB, Independent Youth Benefit, Invalids Benefit, Unemployment Benefit and Widows Benefit) and a new in work payment (what would become IWTC). For children there would be a single payment which would be income related, rather than being dependent upon their parent(s) being in wage work (what would become FTC). While a three-strand approach might not seem it, the changes recommended by Maharey were in part justified on the grounds that they would simplify New Zealand's social security system.

Simplification, however, was linked to the wider concern with work incentives that had been expressed in *Pathways to Opportunity* and which framed the development of the Working for Families Tax Credits. The problem with complexity, Maharey (2003, para. 21) argued, was that it created financial hardship and disincentives to take-up wage work, especially that which was low paid and/or casual. In addition, the complexity of the existing social security system was held to be tying up staff in the administration of social assistance, deflecting their attention from helping its recipients into wage work. In addition, the 'case for change' repeated the arguments of *Pathways to Opportunity* that the reason why New Zealand faced high levels of wage worklessness and a shortage of wage workers in some industries was because of the way its social security system was structured; that many wage workless people, having taken into account work-related costs, income tax payments and the loss of benefits, 'are little or no better off from moving into work at available wage rates' (*ibid.*). New Zealand's version of the unemployment trap.

It was not just a concern with work incentives though, which framed the development of the Working for Families Tax Credits. There was also concern, for example, with the impact that inadequate incomes were having upon 'wellbeing and positive development' (Maharey, 2003, para. 20). In this sense, Maharey's ideas can be understood, as we have seen above, as a means of embedding liberal economic governance, of reproducing the social relations of capital. This can be seen, for example, in the concern with the impact of poverty on, what has been described in the British context as, children as 'becomings' (Lister, 2006) and as the 'citizen-worker-of-the future' (Williams, 2004, p. 408). The suggested reforms, therefore, were arguably concerned with shorter-term active proletarianisation and the longer-term social reproduction of workers.

### Wage supplements in New Zealand

It was argued that by the time it was fully implemented Working for Families (WFF) would deliver an additional \$1.1 billion a year to New Zealand families (Office of the Minister of Finance and Revenue and Office of the Minister for Social Development and Employment, 2004, para. 4) and that it would meet its aims by paying 60% of the additional monies to families where at least one adult was in wage work (*ibid.*, para. 17). It was also argued that the WFF measures would reduce poverty by between 30 and 70% of the median household income by 2007/08 (*ibid.*, para. 18). The thrust of those claims seemed to have some support, but it was also argued that over half of the \$1.1 billion a year would essentially make up for ground lost because of a lack of indexation of family assistance in earlier years (Johnson, 2005).

As has been seen, the main justification for WFF was to incentivise people to take wage work. It is perhaps surprising, therefore, that in the documents outlining the WFF measures it was noted that there had been 'no modelling of the likely net employment impacts of the package' (Office of the Minister of Finance and Revenue and Office of the Minister for Social Development and Employment, 2004, para. 73). The Department of Labour, however, felt that it

was likely to have only ‘relatively modest employment impacts’ (*ibid.*) because, while it was supposed to help address the unemployment trap, it entrenched the poverty trap for more people, a conclusion supported by micro-simulation modelling (St John *et al.*, 2008). Following its introduction though, there was a decrease in the number of lone mothers receiving DPB, but, as St John *et al.* (*ibid.*) note, it is difficult to attribute this to the introduction of WFF, and the IWTC in particular, because of other changes (for instance, enhanced childcare subsidies) WFF introduced, and wider issues, such as increases in the minimum wage and the state of labour markets.

Initially at least, the numbers of families receiving IWTC as a supplement to wages increased – from 209,600 in March 2007 to 252,900 in March 2010. Thereafter, however, the number of families receiving it fell to 239,100 in March 2013, a similar number to that receiving it in March 2008.<sup>11</sup> Unsurprisingly, the cost of IWTC has followed this general trend – rising from an estimated \$461.1 million in 2006/07 (The Treasury *et al.*, 2008, para. 23) to an estimated \$595 million in 2009/10 (The Treasury, 2011, table 2, p. 4), but then falling to an estimated \$523 million in 2013/14 (The Treasury, 2014, table 2, p. 6). The difference in the reduction in the proportion of families claiming IWTC between 2009/10 and 2013/14 (5.5%) and the cost of IWTC (12%) might be explained by various reasons, notably, for instance, a 7.8% increase in the NMW between 2010 and 2013 and the fact that following its introduction the value of IWTC was eroded by a lack of automatic adjustment for inflation (Boston and Chapple, 2014).

### **IWTC and ‘race’**

It was seen above that the idea of the social investment state has been problematised because of its role in embedding economically liberal approaches to capital accumulation and, as a consequence, to social security policy. For Elizabeth and Larner (2009), however, the social investment state’s roots in the notion of social development, as indicated by documents such as *Pathways to Opportunity* and policies such as WFF, are equally problematic because of the assumptions upon which they are premised related to ‘race’ and ethnicity. They argue, for instance, that the resistance by Pākehā people to strategies, notably *Closing the Gaps*,<sup>12</sup> led to programmes under the social development rubric which played down links between ‘race’/ethnicity and socio-economic disadvantage. This means that rather than being racially neutral WFF’s ‘racial subtext...is highly pernicious’ (*ibid.*, p. 148).

The issue here related to the aims of WFF which, it was seen above, were concerned with increasing the incomes of low and middle income families and incentivising people with dependent children to take wage work. Because of the disadvantaged labour market position of Māori and Pacific people in New Zealand those aims, Elizabeth and Larner (2009) argue, were of most cultural and economic importance to income poor Pākehā women. On the economic hand, for example, the wage supplementing aspects of WFF meant that the higher rates of wage worklessness among Māori and Pacific women gave them and their children little in terms

of additional payments. On the cultural hand, such women 'continue to be stigmatised for their so-called failure to meet the new condition of responsible citizenship – labour market participation' (*ibid.*, p. 149). As a consequence, Elizabeth and Larner (2009) argue that WFF was both de-racialised and racialised.

### **IWTC and human rights**

The de-racialised nature of WFF also framed a legal challenge by New Zealand's CPAG regarding IWTC under the Human Rights Act 1993.<sup>13</sup> The CPAG argued that IWTC was discriminatory because it excluded children from increased weekly incomes just because their parent/guardians were not in wage work. While the CPAG argued the case in racially neutral terms, as noted above, wage workless families in New Zealand are disproportionately drawn from Māori and Pacific people (Elizabeth and Larner, 2009). The CPAG argued that the IWTC breached New Zealand's obligations under the United Nation's Convention on the Rights of the Child. The claim of discrimination against 230,000 of New Zealand's poorest children was upheld. Concern was expressed about a lack of consideration of human rights in the development of IWTC. However, the tribunal hearing the case also argued that the discrimination demonstrated in the policy was 'of a kind that is justified in a free and democratic society' (Human Rights Tribunal, 2008, para. 5b). In brief, the purpose of the IWTC – to promote an incentive to take wage work – was 'sufficiently important to justify some curtailment of the right for freedom from discrimination on the grounds of employment status' (*ibid.*, para. 277). The embedding of liberal capital accumulation, therefore, not only condemned many of New Zealand's Māori and Pacific families to poverty, but also justified the poor human rights treatment of those families.

### **The USA's Earned Income Tax Credit**

The USA's EITC is a tax credit which takes the form of either a reduction in the amount of tax payable on income, or, as in the majority of cases, an income transfer to the recipient (Holt, 2006; Falk, 2014). The EITC has been an important point of reference for several countries, including Australia (Apps, 2001) and Canada (Jackson, 2006). In Britain, the EITC was referred to in the development of tax credits under the Labour Party governments of the 1990s and 2000s (Chapter 8). So, for instance, in his review of the interaction of the tax and benefit system, Martin Taylor (1998) examined the EITC to gain an understanding of its potential applicability to Britain. Taylor concluded that while the then existing wage supplement (FC) in Britain and the EITC had a similar economic function – attempting to address the unemployment and poverty traps – the latter could not be easily implemented in a country that had a different tax and benefit system. Similar conclusions were reached by Walker and Wiseman (1997).

### **Developing the federal EITC**

The federal EITC was introduced as part of the Tax Reduction Act 1975. Its introduction followed about a decade of debate and was framed by concerns with

poverty from the 1960s – expressed, for example, in President Lyndon Johnson’s vision of the Great Society – and with ‘dependency’ in the 1970s (Ventry, 2000). While, and as Ventry (*ibid.*, p. 984) acknowledges, the main discourses of the 1960s (poverty) and the 1970s (‘dependency’) are not as discrete as is often argued, it is nevertheless the case that the introduction and later developments of the EITC, like wages supplements in other countries, were caught in a ‘fundamental social policy conundrum... whether to favour programs with high budgetary costs (i.e. high break-even points), less-targeted benefits, and small marginal labour supply disincentives, or those with low budgetary costs (i.e., low break-even points), more-targeted benefits and large marginal labour supply disincentives’.

As was the case in Britain (Chapter 5), poverty was ‘rediscovered’ in the USA in the 1960s (Brauer, 1982; Matusow, 1984). In the poor relief traditions that informed social assistance in the USA (O’Connor, 1998) President Johnson made it clear that his declaration of a war on poverty as a central element of the Great Society would not involve a significant increase in the payment of cash benefits, as, it was argued, such an approach would leave the causes of poverty essentially untouched. The preference, therefore, was for equipping and allowing income poor people to earn their way out of poverty. Such an approach, Ventry (2000, p. 985) argues, reflected the ‘anti-welfare, pro-work sentiment [which] pervaded the national culture’ and which made a marked distinction ‘between poverty (which was seen as a temporary condition of the working poor and a permanent condition of the disabled and aged) and welfare dependency (which was seen as a pathological and voluntary condition of the indolent)’.

An important element in this approach of facilitating wage work was a questioning of the ways in which the direct tax system might be understood as a barrier to such activity and the ways in which changes might remove those barriers. Hence, and mirroring debates that were also occurring in Britain,<sup>14</sup> the focus in the USA was upon the development of a Negative Income Tax (NIT) as a means, among other things, of incentivising people to take low-paid waged work and ‘earn[ing] their way to self-sufficiency’ (Ventry, 2000, p. 987). The idea of a NIT received support from economic liberals, such as Milton Friedman (1962), but, Ventry (2000) argues, even they could not save it from criticism that it was little more than a Guaranteed Annual Income (GAI) rooted in a rights approach to social welfare benefits.

The idea of a NIT was taken forward following the change to a Republican government led by Richard Nixon in 1969 in the Family Assistance Plan (FAP), which, while maintaining support for income poor families, sought to reinforce the work ethic by ensuring that financial disincentives to take wage work were kept to a minimum. Lampman (1969) argues that the policy environment, one informed by reports from various organisations and commissions,<sup>15</sup> challenged two of the tenets of poverty relief in the USA – that they were best devised at a local level and that relief should only be paid to the ‘deserving’ (i.e. blameless poor) – and highlighted tensions in the factors which frame such policies. Lampman (*ibid.*) notes that, in addition to the rediscovery of poverty, the Nixon

government faced concerns at a local level with the increasing costs of poverty relief, a recognition that urban disorder and 'the quiet hunger in the countryside' (*ibid.*, p. 1) were, at least in part, the consequence of problems with the extant poverty relief system and shifting thinking about the legal basis of relief (away from the idea of discretion towards legal rights).

The FAP was opposed by liberals and conservatives. For liberals, the rates of benefits were too low and they opposed the inclusion of a punitive work test; while for conservatives it did not have strong enough wage work requirements and, therefore, represented little more than a cash give away (Lampman, 1969; Ventry, 2000). What turned out to be the most damning critique came from Democrats who condemned the FAP as not meeting its central aim of reinforcing the work ethic. Drawing upon figures provided by the staff of the Senate Finance Committee, its then Chair, Russell Long, for instance, argued that a consequence of the FAP was that a man 'can increase his family's income by quitting work entirely'<sup>16</sup> (cited in Ventry, 2000, p. 990). In the context of weak rebuttals from the Nixon government and accusations of data being manipulated from a series of 'income maintenance experiments' it was concerns with incentives to do wage work, which had long framed poor relief in Britain,<sup>17</sup> as well as USA, that would sound the death knell for FAP (Lampman, 1969; Ventry, 2000).

It was as an alternative proposal from Long to the FAP – what was initially called the Work Bonus – that would eventually become EITC in 1975. It overcame the moral objections to the FAP because it would create a new category of income poor people, the 'working poor' as distinct from the 'welfare poor' (Moynihan, 1973, p. 523), and unlike the NIT and GAI schemes it would only be paid on the condition that the applicant was in wage work. The fact that it would only be paid to working poor families with children meant it 'forced the "undeserving" poor either to choose paid employment or resort to stigmatized and inadequate AFDC [Aid for Families with Dependent Children] services' (Ventry, 2000, p. 995).

After its introduction on a temporary basis in 1975, Ventry (2000) argues that EITC fitted the bill of a desire to introduce a policy which was pro-work, low cost and pro-growth. The pro-work nature of the EITC had been a feature of the Work Bonus and the potentially contradictory demand of the measure being both economical and pro-growth also favoured it, for while it would be focused upon the poorest of the working poor, it was held to nevertheless act in favour of President Gerald Ford's desire for an economic stimulus (Ventry, 2000). It was, however, and despite the economic pressures of the 1970s it remained so, a modest measure; 'small and inexpensive, categorical and limited' as described by Ventry (2000, p. 996).

### **EITC: numbers and cost**

In 1975 the EITC provided a maximum of \$400 (the average was \$201)<sup>18</sup> for wage working poor families with dependent children and while, in 1975, 6.2 million families claimed it, it only cost \$1.25 billion. It was, however, to expand in both cost and the number of recipients, so that by 2013 the number of recipients had increased by 450 per cent to twenty-eight million, while its cost, primarily as a

cash transfer, had increased by about 5,300 per cent to over \$66 billion. By 2013 the average credit had increased by approximately 1,200 per cent to \$2,407.<sup>19</sup> It is now the largest means-tested federal programme in the USA.

There are a number of administrative and political economic reasons which explain the expansion of EITC. In the case of the administrative, changes to its parameters have seemingly led to rapid increases, for instance: following the making of EITC permanent and increasing the maximum credit to \$500 in the Revenue Act 1978; increasing the level of the credit and reducing its withdrawal rate; indexing various of its elements to the Consumer Price Index in 1987; and allowing childless people access to it in the Omnibus Budget Reconciliation Act 1993. In addition, Mandell (2008, p. 2, see also Bok and Simmons, 2004) argues that as a consequence of the wage work focus, enforced by the increasingly stringent conditionality of the Personal Responsibility and Work Opportunity Reconciliation Act 1996 (PRWORA), EITC took 'on increasing significance as a keystone of U.S. social welfare policy'. In other words, shifting workless people into poorly paid wage work through the PRWORA added to the number of EITC recipients. The work focus of the PRWORA also offered states the financial freedom to organise their respective welfare programmes. This, Mandell (*ibid.*, p. 28) argues, encouraged the development of state-level EITCs (discussed more fully below) as states 'tended to use their new-found autonomy over welfare spending to limit funding traditional welfare programs and increase funding for work-support programs and aid to the working poor'.

In the case of the political economic reasons for the expansion of EITC, first, there are a set of issues related to wages in the USA. Similar to other neoliberal economies, pay for low and middle wage earners have stagnated in recent decades. So, for example, using Bureau of Labor data, DeSilver (2014) argues that the majority of workers in the USA have faced stagnating or even falling real wages for much of the five decades between 1964 and 2014, and that in more recent years any gains in real wages have essentially been at the upper end of wage distribution. Between 2000 and 2014, for example, the real weekly wages of workers in the lowest decile of the earnings distribution have fallen by 3.7%, while 'among people near the top of the distribution, real wages have risen 9.7%'. In addition, the value of the federal minimum wage has been eroded by political inaction. It was at its highest value (53% of the average wage) in 1968 when it was at a level which lifted a family of three above the poverty line (AFL-CIO, 2000; Oxfam, 2014). By 2013 its value had fallen to a third (36%) of the average wage. In constant (2013) dollars the minimum wage was worth \$10.69 per hour in 1968 and \$7.25 per hour in 2013 (*ibid.*).

The general state of the economy is also important in influencing the number of EITC recipients. It is no coincidence, for instance, that the number of recipients increased by 2.284 million and the cost increased by \$8.6 billion<sup>20</sup> between 2007 and 2008, the year when economic crisis hit the USA. In this context, the EITC might be understood, as Bluestone and Ghilarducci (1996, p. 22) earlier described it, as 'a form of wage insurance for the temporary poor in an era of job instability and earnings insecurity'.

In 2003 two thirds (70%) of EITC recipients had gross incomes of less than \$20,000 a year when the average wage was \$32,678<sup>21</sup> (extrapolated from Holt, 2006, table 5, p. 10). EITC is also more likely to be claimed by people living in the south of the USA (Holt, 2006). So, for example, of the fourteen states where the average EITC payment was more than the national average, eleven (78.6%) were in the south, two (14.3%) were in the west and one (7.1%) was in the mid-west.<sup>22</sup> The eleven states in the south accounted for nearly four in ten (37%) of tax returns with an entitlement to EITC.

Holt (2006) points to evidence that EITC has helped to increase the participation rate of lone mothers in wage work and argues that it has been 'remarkably successful in reducing poverty' (*ibid.*, p. 13). However, he also points out that concerns have been raised about awareness of EITC, particularly among those populations who are likely to benefit most from it (for instance, less well educated people, and income poor Latino people). Such deficiencies are reflected in concerns with the participation rate (take-up) of EITC. Of all households, for example, it has been estimated that the participation rate is between 75 and 84% (Holt, 2006, table 6, p. 11), although only 15% of income poor Latino parents were receiving Federal EITC in 2002 (*ibid.*, p. 12).

### **EITC: capitalism, wage work and breadwinners**

In terms of themes that *Social Security and Wage Poverty* is particularly concerned with, Holt (*ibid.*, p. 15) notes that the effect of the federal EITC is mixed; that at a national level there is little evidence to suggest it has led to the depression of wages, primarily because 'EITC-eligible workers are a minority in each rung of the labor market' and the difficulties that employers would face in attempting to pay different rates to workers doing the same job. Such arguments, however, suggest a rather blunt means of understanding the potential effects of wage supplements such as EITC, which in orthodox economic theory would suggest downward pressure on wages because of an increase in the supply of labour, an effect that EITC is held to have. Furthermore Leigh (2010), however, found that a ten per cent increase in local EITC was associated with a five per cent decrease in the wages of people not completing high school and a two per cent fall in the wages of workers whose highest qualification was a high school diploma.

That said, it is the case that in debates surrounding the eventual introduction of EITC the economic concern, beyond incentivising people to take low-paid wage work, was with increasing demand for goods and services, rather than lowering wage costs. Indeed, evidence produced in the early 21st century suggested that EITC provided a boost to local economies. Berube (2006) notes that while several roles have been attributed to EITC, it is increasingly seen as an investment in local and regional economies. He highlights, for example, that through EITC the federal government invests more in cities than it does through urban programmes. Viewing EITC as an urban investment though, brings potential dangers, including a dilution of its poverty-reduction role and pressure to redistribute its funding to more traditional urban programmes. It is the case, however, that EITC is an important source of revenue and, therefore, demand

for goods and services. A study in San Antonio, for example, suggested that if the amount of EITC being received could be expanded, every additional dollar would generate a further \$1.58 dollars in local economic activity and that every additional \$37,000 claimed would support an additional local job (Texas Perspectives, 2003). Keynesian-type effects of EITC are important at a local level and, therefore, it can be understood as means of supporting capitalism on both the demand and supply sides.

We have seen in *Social Security and Wage Poverty* that concerns with their gender implications have been central to debates about state wage supplements. While, as noted, evidence suggests that EITC has encouraged lone mothers to take wage work, thereby institutionalising the double burden of wage work and social reproduction via public patriarchy, evidence also suggests that it acts to disincentivise second earners in couple households to engage in wage work. We have seen that such observations are often portrayed as being positive (for example, increasing choice about which partner in couple households do wage work). In this sense, EITC can be understood as a means of supporting the breadwinner wage model because it is paid to the main income tax payer in couple households and for supporting the privatised form of patriarchy upon which the breadwinner model was premised (c.f. Morris and Deprez, 2014). However, in doing this EITC has been argued by orthodox economists in the USA to 'effectively subsidiz[e] married mothers to stay home' (Eissa and Hoynes, 2004, p. 1931, see also Eissa and Hoynes, 1998).

### **State and local EITCs**

At the time of writing half (twenty-five of the 51) of the USA's states (including the District of Columbia) had introduced their own EITCs, administered in addition to the federal system<sup>23</sup> (see Holt, 2006; Gray, 2007; Gunter, 2013, Institute on Taxation and Economic Policy, 2014; Johnson and Williams, 2011). In addition, there are a few locally based EITCs, including the Working Families Credit in San Francisco and similar systems in Montgomery County, Maryland and New York City. The majority of state EITCs offer reductions in tax liability and cash transfers if the amount due is higher than the claimant's state tax liability. The reasons for developing state and local EITCs – to reinforce financial incentives to take wage work in the formal economy and to reduce poverty – are similar to those which framed the development of the federal EITC. In addition, local factors can be important. So, for example, Montgomery County introduced its EITC as an alternative to the adoption of a LW ordinance. The Democrat County Executive proposed EITC (as well as increased investment in support services for working poor people) as he felt that the LW ordinance for county contractors would 'cost jobs for the working poor and undermine the county's efforts to revitalize and promote private investment in the county's older urban areas' (Toikka and Neveu, 2002, p. 33). The economic liberal preference for, in this instance, local state subsidised wage supplements over wage regulation won the day.

Concerns have been raised about potential racism in the state-level development of EITC as the majority of states with relatively high proportions of Black and

minority ethnic people who, generally speaking, are concentrated in lower paid wage work and, in the case of Black people, are more likely to have larger families, have not developed locally based EITCs (Mandell, 2008). State and local EITCs also show evidence of financial instability. So, for example, while the Washington State's EITC was enacted in 2008, six years later it had still not been implemented because of lack of funding (Institute on Taxation and Economic Policy, 2014). At a local level, Denver was the first US city to introduce (albeit on a pilot basis) a local EITC. It was funded through Temporary Assistance for Needy Families monies, but following a reduction in that funding, it was indefinitely suspended in 2002 (Flacke and Wertheim, 2006). Similarly, while the San Francisco Working Families Credit has been described as an 'inspiring example' of a means of supporting income poor households at a local level (*ibid.*, p. 2), at the time of writing, its website warned that: 'Due to limited funding, the 2014 Working Families Credit will only be available to eligible first-time applicants. If you have ever received the Working Families Credit, you are NOT eligible for the credit this tax season and need not apply.'<sup>24</sup>

## Conclusion

Many countries are grappling with the issue of wage poverty, and the economic and social dilemmas which it creates. While, as we have seen in *Social Security and Wage Poverty*, neoliberalism did not cause low wages, as a form of capital of accumulation it has undoubtedly worsened the extent and impact of low wages upon working people, encouraged by the institutions of global economic governance (for instance, the European Union, International Monetary Fund, The World Bank, the World Trade Organization). This chapter has focused upon the development of wage supplements in two liberal welfare regimes, those of New Zealand and the USA. While concerns with the social aspects of low wages, most notably poverty and its potential effects, have been visible in debates about, and the practice of, supplementing wages in these countries, they have been subordinated in both to economic concerns with enabling, or regularising, the process of capital accumulation. In the case of New Zealand, for instance, we have seen that the making work pay strategy was concerned with embedding a liberal economic order; and in the USA, in addition to such concerns, it was also informed by macro-economic concerns with maintaining domestic demand for goods and services.

Extending the analysis to the social embeddedness of accumulation, we have seen that in both New Zealand and the USA concerns have been raised regarding the gender relations of wage supplements. In New Zealand the development of current tax credits was located in historical concerns with the reproduction of the breadwinner wage model, while in the USA concerns have been raised about the regulation of private patriarchal dependency in couple households.

In addition, in both countries 'race' and ethnic dimensions of the development and administration of wage supplements have been recognised. This was perhaps most notable in New Zealand where, as we have seen, the human rights

basis of IWTC was challenged by the CPAG on the grounds that it condemned many of New Zealand's families to live in deeper poverty than would have been the case had IWTC been available to *all* poor families. The support New Zealand's Human Rights tribunal showed for the government's wage supplement policy neatly demonstrates the intersection of the economic and the social for, although it was not made explicit by the CPAG in its legal challenge, the majority disadvantaged by the IWTC were Māori and Pacific people. The impoverishing aspects of the assertion of less eligibility through wage supplements were disproportionately experienced by New Zealand's minority 'race'/ethnic groups, something that the poor participation rate of Latino people in the EITC in the USA suggests occurs there too. Hence, it is possible to argue that in addition to gendered disadvantage through the reproduction of private and public patriarchy, wage supplement approaches to the dilemmas of low wages also reproduce 'race'/ethnic disadvantages. Such observations reinforce the point that capitalist accumulation processes are socially embedded and, in our case, attempts to actively proletarianise the labour power of some helps to reproduce the social and economic disadvantages of others.

# 12

## Conclusion

We have seen in *Social Security and Wage Poverty* that some nations have been grappling for many years with the economic, moral and social dilemmas which capitalism, as a form of production and accumulation, raises for policy makers and low-paid wage workers. *Social Security and Wage Poverty* suggests that debates about, and the practice of, the state supplementing wages is related to the ways capital accumulation is a socially embedded process in which the priorities of capitalism – profitability and growth – are, at least in its liberal varieties, inconsistent with the needs of many wage working people and, as a consequence, its own longer-term strategic needs. In other words, state wage supplements need to be understood in political economic terms as they are central to understanding those issues – the social relations of the production, distribution and consumption of resources (Mosco, 1996) – which are the foci of political economy. As we have seen, and despite often bland references in political party general election manifestos to the need to review social security policies, the chequered history of wage supplements has been linked to a range of issues which have been held to be crucial to the ways in which liberal economies operate, or should operate. At various times, wage supplements, especially the means-tested variety, have been seen as both the friend and enemy of economic liberalism.

State wage supplements are a consequence of at least two sets of dilemmas, the first of which relates to discursive understandings of wages and the second to relationships, or, more specifically, political and policy concerns with potential relationships between poverty relief programmes for wage workless people and the wages available to them at entry level. In the case of the first of these, the main issue concerns the adequacy of wages compared to the subsistence needs of working people and, if they have one, their family. In this context we have seen Figart *et al.* (2002) argue that wages can be understood as a living and as a price at a discursive level. It is tempting to conclude that it is only with the emergence of the predominance of wages as a price discourses over that of wages as a living that the low wages of many working people became a problem. However, this is not the case.

As we have seen in the case of Britain, wage poverty has existed for centuries and authorities charged with poverty relief have found ways of dealing with

the destitution of people in wage work. Notions of subsistence wages, such as in the family wage or the LW in Britain and the fair wage in New Zealand, have never been able to offer relief from poverty because of the ways they have been conceptualised for only a limited number of children (usually two or three) and calculated to the aggregate level; and because there has often been a dissonance between what working people and their employers consider to be subsistence. Nevertheless, it is also the case that the form and scale of state wage supplements have, at times, faced rapid change. While the chronology and form are not the same, Britain, New Zealand and the USA have all developed means-tested approaches to supplementing wages as, for example, notions of the family wage (in Britain and the USA) and the fair wage in New Zealand were challenged by the onslaught of economic liberalism from the 1970s, when wages were reinterpreted as a means of securing international competitive advantage rather than as a form of domestic demand (Jessop, 2002).

In this context, state-sponsored wage supplements can be understood as existing in the policy space created by the disjuncture between, on the one hand, the centrality of profit maximisation to capitalism and, on the other hand, the subsistence needs of households, given that wage workers are paid for the value they are held to bring to their employers, rather than for the needs of their household. Such an argument, however, suggests that the state is only concerned with the role that wage supplements might have in helping to relieve the needs of working people. While the state undoubtedly does have an interest in such an issue because of the relationship between need and the reproduction of labour power, it is the case that wage supplements are more immediately linked to the capitalist enterprise through concerns with wage work incentives, which are created by the fact that wage workless people do not have to offer their labour for sale, particularly in societies where there are social security policies for such people. In this sense, and drawing upon the work of Offe (1984), wage supplements can be understood as part of the state's attempt to actively proletarianise wage workless people because they are an important element in the financial less eligibility basis of liberal welfare state regimes.

Traditionally, maintaining financial less eligibility has been conceptualised in two ways. One, which might be described as the poor lawarian approach, is to ensure that out of work incomes are so low that wage work is seen as being the financially preferable option. Such an approach is problematic however, because, as was the case with Victorian poor relief in Britain, it can often be difficult to maintain a significant enough distance between in and out of work incomes since many wages are so low. It is also problematic because to merely enforce the destitution of wage workless people may lead to a questioning of the legitimacy of an economic system premised upon such economic brutality, and it may undermine the longer-term efficiency of labour power.

The second approach is to attempt to increase the income of the poorest paid by supplementing their wages through collectively organised provision. This can be done on a universal basis, as was seen, for example, in the development of FA in Britain (Chapter 5) and FB in New Zealand in the 1940s (Chapter 11); or on

a means-tested basis, as was the case in Britain with allowances in aid of wages before the new poor law (and after it) and in the increasing supplementation of wages post-1970, with the introduction of FIS and its later replacement with FC and various forms of tax credits. Similar approaches were taken in the development of EITC in the USA, and with the introduction of a means-tested FA in the 1920s and introduction of tax credits from the 1980s in New Zealand.

In this context, wage supplements can be understood as a policy 'fix' for the contradictory pressures which systems of poverty relief, particularly for wage workless people, might raise for nation states. Such arguments suggest wage supplements are a reactive consequence to tensions inherent in poverty relief programmes. Such a suggestion, though, underplays the significance of wage supplements. In brief, what has become increasingly important since the 1970s is the potential economic impact of wage supplements in their role of maintaining less eligibility. We have seen in the British case that interpretations of the classical political economic approaches in the early decades of the 19th century viewed wage supplements as being economically, morally and socially destructive, enticing both labouring poor people and their employers into courses of action (reducing effort and working less hours in the case of the former, and paying lower than subsistence wages in the case of the latter) that labour markets free of allowances in aid of wages would not incentivise.

In such analyses, supplemented wages were held to be deeply problematic for both capital and labour as they operated as the antithesis of a liberal, market based economy. In such an economy working people could expect to earn market wages, at a time predominantly based on subsistence notions of wages. In such analyses, the market, provided it was free from institutional fetters, would create enough wage work at high enough wages for the labouring classes. While there would always be circumstances which created problems (for example, poor harvests and micro-level economic crises), they could be dealt with through charity and familial provision, and residualised poor relief. Two hundred years later, with the return of mass unemployment, however, the orthodox economic argument had changed, and, at least at first sight, seemed to contradict the new (neo)liberalism which was widely argued to be framing the policy directions of governments of both the right (for example, in Britain and the USA) and the left (for instance, New Zealand) in the 1980s.

By then there was support for wage supplements for the very reason for which they were criticised at the dawn of modernity, their potential to put downward pressure on wage levels. The orthodox analysis suggested that if wage worklessness was to be reduced wages at entry level would have to fall to enable the employment of more wage workless people. And state wage supplements would help to do this, in the British case, by helping to divorce wages from what was perceived in government as the payment of a family wage, encouraged by trade unionism. In other words, along with tackling what were defined as institutional fetters in labour markets, it was held that wage supplements would help to encourage greater levels of, albeit low, paid and state supplemented wage work in the shift to a service-based economy. In other words,

wage supplements were held to be in tune with the neoliberal desire for market solutions to economic dilemmas, such as wage worklessness, and were seen as an important element in facilitating the shift from primary production and mass manufacturing to the service sector. This did not involve a withdrawal of state activity, which neoliberalism is often associated with, but a renegotiation of its form and role in the shift to what, for many working people, has been the development of low waged, casualised labour markets. Support, in other words, for 'flexploitation' (Gray, 1998).

The danger with such arguments, however, is that they might be interpreted as suggesting that at various historical moments criticisms of, and support for, wage supplements appear to be functional for liberal capital accumulation. Such a critique can be addressed through several observations. First, the idea and practice of the state supplementing wages has been challenged and contested in various ways. The fact that the historical analysis demonstrates divergent interpretations of the desirability (or otherwise) of supplementing wages demonstrates the difficulties with the functionalist argument. In Britain, the prohibition of allowances in aid of wages in the Poor Law Amendment Act 1834 through (until 2015) to the increasingly broad and generous supplementation of wages in late modern times have essentially been justified by two sides of the same coin. On the one hand, wage supplements are held to disincentivise people from doing wage work because they are argued to divorce individual responsibility and effort from the reward of wages (the classical political economic approach), or that their withdrawal, along with the payment of income tax, is held to not adequately reward the additional effort of working harder and/or longer hours (the poverty trap type arguments of later social security analysts and technicians). On the other hand, wage supplements are held to provide an incentive for people who might expect to be paid low wages to take wage work by increasing their net income from taking such work, an argument that has been made about wage supplements in Britain since at least the 1930s. In brief, orthodox economic arguments, framed by an economic rationality and an unquestioning view of the desirability of market determined wages, have justified both a critique of, and support for, wage supplements and, as we have seen, policy makers in various countries have recognised the often uneasy relationship between the two approaches.

Second, contestation over wage supplements is visible in various forms, for example: between different scales of governance in the case of poor relief and public assistance (Chapters 2, 3, 4); between central government departments (Chapters 5, 6, 7); and in the case of Wilson's Labour Party governments in the 1960s, between departmental Ministers (Chapters 5 and 6). The politics of policy making, as well as differences within the same political parties, undoubtedly makes things difficult for policy makers and has the potential to alter and/or erode the potential effects of policies. We have seen various instances of this: the inability of Conservative Party governments in 1980s Britain to get FC paid to men via the wage packet, even though it was believed that such a mode of delivery was central to FC's economic role in depressing wage; difficulties created by the idea that wage supplements put downward pressure on wage levels, such as a denial

in the 1980s that this was the case despite the economic theory informing their development suggesting it did; and the arguments about possible disincentives for women in couple households to take wage work as being a good thing.

Third, wage supplements have primarily been developed at an abstracted level of understanding drawing upon, for example, the work of theoretical economists and, at the level of the potentialities of such policy instruments, from the institutional perspectives of policy makers. Policy considerations of whether wage supplements would incentivise people to take wage work, to increase the hours they work, or would have any effect on wage levels occurred only at the level of theory, or perhaps even worse, looking back to periods of poverty relief history that had become mythologised. Once introduced to the 'real world' it was not clear that they would have the desired effects. In many senses though, this was immaterial, for, as we have seen, it is economic, moral and social ideas which have driven policies related to the supplementation of wages, rather than their actual effects.

Fourth, it is clear that there is little stability in wage supplement policies, which, at least in Britain and New Zealand in recent years, have been the focus of rapid change. While wage supplements are undoubtedly held to have important economic and social roles, quite how they should fulfil these roles is unclear and open to change. In other words, there is not an optimum state of wage supplements for capital accumulation. This can be seen in Britain in the expansion of wage supplements from the 1980s to their retrenchment in the second decade of the 21st century, an issue we return to after considering the gender implications of wage supplements.

### **Gender, patriarchy and wage supplements: wages as a social practice**

In the third of Figart *et al.*'s (2002) tri-variant of wage discourses wages can be understood as a social practice, as a means of reinforcing or challenging the socially accepted place and role of particular groups in society. We have seen in previous chapters that the idea of wages as a social practice has been central to understanding how supplementing wages helps to construct what are held to be the legitimate roles for men and women when they live in couple households with dependent children, and when women live outside of such households with their children.

In *Social Security and Wage Poverty* those relationships have been constructed through the notions of private and public patriarchy. The former is where the subordination of women is through an individual man as father or husband, while the latter recognises the advances which women have made in public arenas, but that they are still subordinated in them (Walby, 1990). We have seen that gender relationships have been an important element in considerations of supplementing wages, for example, how their operation might affect relationships between men and women inside and outside the private patriarchal family. In the case of private patriarchy the expectation is that women will be reliant upon male breadwinners for their subsistence, while in the case of public patriarchy

the focus has been upon the extent to which women, primarily as lone mothers, should be supported through state provided wage supplements.

Wage supplements have been used in two main ways in relation to these different forms of patriarchy. First, in the case of lone mothers with dependent children wage supplements have been used in attempts to renegotiate public patriarchy by incentivising such women to support themselves and their children to a greater extent through wage work. We perhaps see this most clearly in Britain in data (Tables 2.1 and 2.2) which suggests that following the introduction of the Poor Law Amendment Act 1834 there were more women who received poor relief because of an 'insufficiency of earnings' compared to men. And also in developments to FC in the 1990s and its later replacement with tax credits (Chapter 8), which for economic (as outlined above in general sense) and socio-cultural (related to the importance governments of various political parties attached to having wage work role models for children in all households) reasons were particularly aimed at encouraging lone mothers into competing for and entering wage work (Grover and Stewart, 2002). While, of course, it might be argued that the use of wage supplements to incentivise lone mothers to do wage work had the potential to undermine private patriarchy, it was not such a renegotiation of gender relations which drove their development. The drivers were more related to a desire to maintain economy in poverty relief programmes for out of wage work lone mothers and to prevent the intergenerational transmission of dependency through a didactic approach, which suggested the (male) children of lone mothers needed to be taught that the expectation of them when they were adults was that they would do wage work. In doing so, the public patriarchal relationships of women to the institutions of the state and the market economy were renegotiated, with an increasing emphasis upon lone mothers seeking their subsistence through the market rather than the state. The consequence was, arguably, an institutionalising of the wage work disadvantages faced by most women and one of the causes of those disadvantages (the double burden) through an emphasis upon, and a hope to facilitate, both the wage work and social reproduction roles of lone mothers.

Perhaps more challenging for policy makers has been the intersection of wage supplements and perceived gender relationships and roles in (heterosexual) couple households. We have seen that one of the grandmothers of wage supplementation, Eleanor Rathbone (1924), was driven by feminist concerns with, for example, equal pay between men and women, and addressing the 'parasitic' status of women in private patriarchy through the necessary reward of their social reproduction work. While it was not unknown for such arguments to be raised in later debates about supplementing wages, they were marginalised by concerns more directly linked to the economic role attached to wage supplements, such as incentivising wage work and all that came with it, for example, in terms of increasing labour supply.

We saw this is in the development of both FC and tax credits in Britain (Chapters 7 and 8) where the emphasis upon the need to ensure that the financial incentive to take wage work was as strong as possible meant it was argued that these

wage supplements should be paid through the wage packet. In policy debates this meant wage supplements being paid to men in couple households. Such moves in the case of FC were successfully resisted through concerted gendered arguments (and arguments from the small business lobby). In contrast, tax credits were split, with the payment of CTC to women as financial support for their income poor children and WTC as a work incentive measure paid to men, an approach which arguably reinforced patriarchal relations of wage and social reproduction work.

In addition to who should receive wage supplements and whose interests are best served by them being paid to either men or women, a central concern was related to the wage work incentive effects of wage supplements on the partners of the breadwinner in couple households which received them. It is widely argued in Britain, New Zealand and the USA that means-tested wage supplements disincentivise partners from doing wage work. They are most likely to be women and, therefore, it is possible to argue such wage supplements are a means of encouraging private patriarchy for, while women in such households might receive some of the wage supplement, they are not for her own subsistence but for that of her child(ren) so, reflecting one of the problems with Rathbone's arguments for FA, mothers in households receiving wage supplements remain dependent upon private patriarchy for their own subsistence. Such relationships are not held to be problematic in policy making terms. In Britain, for example, we saw in Chapters 8 and 9 that governments of both the political left and right have argued that wage supplements present opportunities for women in couple households to consider reducing their hours or giving up wage work altogether.

Such arguments, as we saw in Chapter 11, are not restricted to Britain. Other countries where wage supplements are available have similar gendered concerns. In New Zealand, for example, FAs, first introduced in the 1920s on a means-tested basis, were conceptualised as being a means of supporting the breadwinner wage model by supplementing the fair wages approach to wages for men. A practice which continued in the post-WWII period with the introduction of the universal FB, as it could only be claimed in couple households with the signature of the father of the child.

Given these observations, it can be argued that women are particularly affected by changes to wage supplement policies. This is especially problematic when, as is discussed in more detail below, wage supplements are retrenched, for the consequence is that not only are lone mothers in wage work likely to be further impoverished by such changes, so too are women in couple households. And any such approach – which we shall see is the medium-term strategy in Britain of the Conservative government elected in 2015 – that emphasises the importance of wages in supporting households will have mixed effects for women.

On the one hand, because women are, generally speaking, paid lower wages than men, they tend to be the main beneficiaries of increases in regulated wages (Chapter 10). On the other hand, because such a strategy can be understood as being predistributive, rather than redistributive, an approach which, while retrenching wage supplements increases regulated wage levels, will necessarily harm the recipients of redistributive policies. Hence, the concerns in Britain

about the disproportionate impact on women since 2010 of the retrenchment of wage supplements, and social security payments more generally. These concerns, however, are particularly acute in relation to private patriarchy where there is a shift against redistributive measures in favour of predistribution, because the consequence is increasing control of household income through the wage packet and reducing control via the purse. While, of course, it might be argued that a higher regulated wage should incentivise women in couple households to do wage work, such arguments do not take account of the range of barriers to women doing such work that most men do not have to consider, and they do not take account of the effects upon women in couple households who, for whatever reason, do not see wage work as an option or being desirable.

### **Wage supplements in Britain post-2015**

We saw in Chapter 9 that wage supplements in Britain were retrenched by the 2010–15 Conservative/Liberal Democrat Coalition government. That trend was to continue as a consequence of the first Conservative government budget for eighteen years, the summer budget in July 2015. It was widely trailed that if the Conservative Party government elected in May 2015 was to meet its desire of returning Britain to a budget surplus it would have to find additional savings in social security spending of £12 billion per annum. These would have to come from benefits paid to working-age people both in and out of wage work because of commitments that had been made to the financial support paid to retirement pensioners.

Exactly where the £12 billion of savings would be made was announced in the summer budget (George Osborne in House of Commons Debates, 2015a; HM Treasury, 2015). Continuing themes which we have seen are very familiar in social security policy, it was argued that the budget was aimed at moving ‘Britain from a low-wage, high-tax, high-welfare society to a higher-wage, lower-tax, lower-welfare economy’ (House of Commons Debates, 2015a, col. 332). In order to do this, ‘unfairness’ for tax payers would have to be removed, which would mean both a reduction in the amount spent on social security benefits and a reduction in the amount of income tax paid by people in wage work, by increasing further the point at which they would start to pay tax and increasing the level for the payment of higher rate income tax.

The majority of the £12 billion savings was to come from tax credits, particularly those paid to working poor people as wage supplements. The largest saving, for example, was to come from reducing the level of earnings (the earnings threshold) at which tax credits are withdrawn by forty per cent (from £6,420 to £3,850) (with equivalent adjustments to UC) (HM Treasury, 2015, para. 1.144) and withdrawing tax credits at a faster rate by increasing the taper (the rate at which they are withdrawn) by nearly a fifth, from 41 to 48 per cent. The aim was to residualise further tax credits and UC by making them available to the income poorest of wage poor workers. Do such developments mean the role of wage supplements in late modern economic and social governance is over? It is

premature to answer this question in the positive for, while the largest savings are to come from wage supplements, they will continue as an incentive to do wage work for wage workless people, albeit for a more limited number of potential people. It is also the case that concerted effort was made to reduce further the incomes of many wage workless people in what can be understood as a poor lawarian approach to less eligibility.

The summer budget announced a freeze in the cash value of working-age benefits for four years (2016/17–2019/20) following three years of increases restricted to one per cent per annum. This was justified on less eligibility grounds – that following the 2008/09 economic crisis ‘average earnings have risen by 11%, but most benefits have risen by 21%. To correct that, we will legislate to freeze working-age benefits for four years... it means that earnings growth will catch up and overtake the growth in benefits’ (George Osborne, House of Commons Debates, 2015a, col. 334). More specifically, in wage work incentive terms it was noted that: ‘Freezing benefits for four years will increase the gains from moving into employment as the difference between the potential income from earnings and income from benefits grows.’ (DWP, 2015a, p. 9) A similar claim was made for a reduction in and the ‘tiering’ of the benefit cap (DWP, 2015b) – from £26,000 for households with children (£18,200 for childless households) to £23,000 (£15,410) for claimants in London and £20,000 (£13,400) for those outside London. This represents a loss of income of up to about a quarter – £6,000 per annum for households with dependent children and £4,800 for households without. It was justified on the grounds that the newly reduced benefit cap meant the maximum benefit levels for able-bodied households was still at a level above the amount that ‘around’ forty per cent of households in and outside of London earned (see comments of Duncan Smith, House of Commons Debates, 2015b, col. 1258).

In addition, and resonating with concerns we have seen expressed by policy makers and politicians over many years, with the potential of poverty relief programmes to encourage working people to have children, the summer budget announced that from 2017 new claimants will only be able to claim tax credits and UC for a maximum of two children, even if they have more than that number. A sanitised version of the ‘breeding’ discourse of earlier years was used to justify the change, ‘that those in receipt of tax credits should face the same financial choices about having children as those supporting themselves solely through work’ (HM Treasury, 2015, para. 1.145). This was a development of a previous suggestion by Secretary of State for Work and Pensions, Duncan Smith, that CHB could be limited to two children, and abolished any remaining idea that social assistance for people in and out of wage work in Britain was related to household need, particularly for families with more than two children.

However, wage work incentives were not to be maintained only by reducing benefit entitlements for wage workless people. In a move designed to politically wrong-foot the Labour Party Opposition by claiming that it made the Conservative Party ‘the party for the working people of Britain’ (House of Commons Debates, 2015a, col. 338), the Chancellor of the Exchequer announced what he incorrectly described as a ‘National Living Wage.’ This will involve increasing the NMW by 50

pence per hour in April 2016 and then over a four-year period increasing it to a level equivalent to 60 per cent of the median hourly wage by 2020 (likely to be around £9.35 per hour – OBR, 2015b, para. B.5). Given the opposition the Conservative Party presented to minimum wage regulation in the 1990s (Chapter 10), the increase in the NMW was surprising.<sup>1</sup> Along with the cuts to tax credits and UC, it was argued by the Chancellor of the Exchequer (House of Commons Debates, 2015a, col. 337) that the increase in NMW would remove subsidies to ‘businesses who pay the lowest wages’. Such arguments were consistent with the economically liberal critique of the potential effects of allowances in aid of wages upon employers we saw in the report of 1834 Royal Commission on the Poor Law. It was also suggested that the potential benefits accrued to capital through wage supplements were not consistent with the government’s desire to increase productivity; an orthodox economic argument used to support the development of regulated minimum wages, which suggests that capital changes (or should change) its operating practices in reaction to regulated wages by, for example, investing in the training of staff to enable them to do more, and/or investing in greater levels of technology to replace at least some staff. However, just as the increase in the NMW was, at least in part, presented as offsetting cuts to wage supplements, capital was offered cuts in its operating costs (for example to corporation tax and, for small enterprises, cuts to national insurance contributions) to help it pay for the increased NMW.

The announcement of an increase in the NMW so that it will become a national living wage by 2020 was problematic. First, was the claim that what was being developed was a LW. Living wages are often limited in the way they are calculated as the aggregate of the needs of various households (Grover, 2008b). The Conservative Party approach, however, does not even attempt to do this. In contrast, its national living wage is related to median hourly earnings, rather than an aggregated notion of household need. There is no indication of how a wage at 60 per cent of median earnings relates to household need and it seems to have been chosen as the target level of the national living wage for political reasons – because it was the ‘minimum level of pay recommended...by Sir George Bain, the man the last Labour Government appointed as the first chair of the Low Pay Commission (Osborne in House of Commons Debates, 2015a, col. 338) – rather than for its potential to financially support the poorest households where at least one adult is in wage work.

Second, it demonstrated one of the criticisms of regulated wages, that they have the potential to become political tools to be used if and when it is deemed expedient to do so (c.f. Sachdev, 2001). Under the existing regime, as we have seen (Chapter 10) the LPC makes recommendations based upon its judgements about the level of minimum wage the economy might bear without unduly increasing wage worklessness. Politicians, of course, can choose to ignore its recommendations (as, for example, 1997–2010 Labour Party governments did on at least one occasion). The LPC will be responsible for recommending yearly increases to get to the announced level of the ‘national living wage’ in 2020, but it will not have a say in whether the level is desirable. By politicising the NMW the risk is that

following years of increase it will be neglected, as has been the case in the USA where the federal minimum has been \$7.25 per hour since 2007 (Oxfam, 2014). Furthermore, if there is a change in Britain's economic performance for the worst before 2020 there is little to deter the Conservative Party government rescinding its argument that 'Britain deserves a pay rise' (Osborne in House of Commons Debates, 2015a, col. 337) and abandoning its target for regulated wages. Not only would this leave the poorest paid workers with lower than anticipated wages, but because of the retrenchment of social security spending announced in the summer budget, also with lower levels of wage supplements.

It was argued by the government (HM Treasury, 2015, para. 1.150) that by taking into account all of the changes announced in the 2015 summer budget 80 per cent of wage working households would be better off in 2017/18, but that argument suggested that two out of every ten (a fifth) of working households would be worse off, and even the average gain for those households that would be better off was a rather paltry £135 per year, or £2.60 per week. In brief, for many households the retrenchment of wage supplements will not be offset by increases in the income tax threshold and the NMW. This should not be surprising for, as the Inland Revenue argued for many years, income tax thresholds do not serve the same purpose as social security benefits (the former, so the argument goes, adjust income tax to ability to pay, rather than being linked to household need); while regulated wages support individual workers with low hourly earnings, rather than supporting their household to reach a politically defined level of income, as wage supplements did before the summer budget.

In light of such observations, it was quickly argued that the summer budget disincentivised wage work. Such arguments, however, missed the point of the budget, which was to reinforce wage work incentives through the poor lawarian approach of further impoverishing people who are not in wage work. In this context, the IFS's distributional analysis was telling, for it demonstrated that wage workless households would be most harshly hit by the changes announced in the summer budget, with, for example, wage workless lone mothers and couple households with dependent children losing on average over fifteen per cent of net income, and workless single people and childless couples facing an average loss of around eight per cent.<sup>2</sup> This is not to suggest that working poor households do not face a reduction in their incomes, because they do, but the proportion lost is less for such households – for example, about eight per cent for a lone mother and three per cent for a couple household with children and one adult in wage work.

Given what was to come in the summer budget it was not surprising that the Conservative Party government announced the week before its intention to replace the legal duties and measures contained in the Child Poverty Act 2010 (Chapter 8) with a duty on the Secretary of State for Work and Pensions to report on topics, including the number of children in wage workless households, the educational attainment of children and progress towards full employment. While the general feeling was that governments were unlikely to meet the targets of the Child Poverty Act 2010 before the first Conservative Party government budget for eighteen years, they definitely would not have been met after it. The effective

abolition of the Child Poverty Act 2010 reflected an even greater belief within the Conservative Party government than in the previous Labour Party governments that poverty is the consequence of the attitudes, characteristics and lifestyles of income poor people. While 1997–2010 Labour Party governments were keen to point to individual failings of the poorest people, particularly those who were wage workless, it did at least understand (even it was less willing to advertise it) that redistribution was required if there was to be any chance of tackling child poverty.

The future looks bleak as the Conservative Party government seeks to provide the incentive to take wage work through a particularly brutal form of less eligibility while residualising wage supplements to a policy which is concerned with incentivising into wage work only those who might expect to earn the lowest wages. While wage supplements have not been prohibited by the summer budget, as they were by the Poor Law Amendment Act 1834, they have certainly been retrenched as a means of encouraging self-sufficiency and individual responsibility. In many ways, this was a typical economically liberal approach, a desire for people, including those in wage work, to be free from state support and for the state to be free from supporting them.

# Notes

## 1 Introduction

1. Defined as an hourly wage, below two-thirds of the median (£7.69 in April 2013).
2. In common with previous economic crises (see Mungham, 1982; Davies, 1986; Finn, 1987; Brown, 1990) the 2008/09 economic crisis disproportionately affected young people. While youth unemployment was rising before the crisis, it nevertheless increased rapidly during it, peaking at 20% in the winter of 2012. By the autumn of 2014 it stood at 16.6% (Fergusson, 2013, Hough, 2014) and nearly a third (29%) of unemployed young people were long-term unemployed (i.e. they had been unemployed for twelve months or more) (Hough, 2014).
3. References to a cost of living crisis have been made by analysts of various political backgrounds – see, for example, the centre left position expressed by the then Leader of the Labour Party, Ed Miliband's *Cost of Living Crisis* speech of November 2013 (<http://labourlist.org/2013/11/ed-milibands-cost-of-living-crisis-speech-full-text/>), accessed 9 January 2015), and from a right-wing perspective the Institute of Economic Affairs (<http://www.iea.org.uk/blog/cost-of-living-crisis-causes-and-solutions>), accessed 9 January 2015) and Centre for Policy Studies (Morgan, 2014).
4. The neo-Marxian tradition upon which the book draws explains the use of the term 'wage work'. Marx (1976, originally 1867) distinguished between work as an activity (labour) and the capacity of people to do work (labour power). He argued that people always have to work to fulfill their needs, to sustain their lives. However, capitalist societies are distinctive because, for most people, in order for them to subsist they have to sell their labour power in exchange for the means of their subsistence (i.e. they have to engage in wage work). It is only through this commodification of labour power, treating it like any other commodity, that 'the market-orientated self-valorisation of capitalism becomes possible' (Jessop, 2002, p. 15).
5. While policy discourse is gender neutral in referring to lone parents, the term lone mother is used in *Social Security and Wage Poverty* in recognition of the fact that the vast majority (92% in 2011 – ONS, 2012) of lone parents are women.
6. This is not to deny concerns with the potential of state-sponsored old-age pensions to act as a wage supplement, and, as a consequence, to incentivise employers to cut the wages not only of pensioners, but wage working people more generally (see, Macnicol, 1998).

## 2 Wage Supplements and the New Poor Law

1. Pitt argued that minimum wages took no account of familial need. This meant that if the 'minimum [were] fixed upon the standard of a large family it might operate as an encouragement to idleness in one part of the community, and if it were fixed on the standard of a small family, those would not enjoy the benefit of it for whose relief it was intended' (House of Commons Sessional Paper, 1796, col. 709). The latter argument was repeated 130 years later by Eleanor Rathbone (1924) in *The Disinherited Family*.
2. Although Marshall (1926, p. 105) notes that 'serious writers' (she cites Thomas Firmin, 1681 and John Locke, 1697) had condemned wage supplementation by the end of the 17th century. Their preference for tackling poverty among families with dependent children was for the employment of the children or their removal from their parents.
3. Quadrupling from £2 million in 1785 to almost £8 million by 1817 (Himmelfarb, 1984).

4. Exemptions included widowed and deserted wives who could not earn enough to keep their families, or where age or infirmity prevented people from maintaining themselves or their families (Select Committee on the Able-bodied, 1828, p. 9).
5. The Act for the Regulation of Parish Vestries 1818 and the Act to Amend the Laws for the Relief of the Poor 1819.
6. Senior was “‘laissez-faire” professor of economics [at Oxford University], with a known hostility to the allowance system’ (Wood 1991, p. 60, see also Fraser, 1973). He was also a Malthusian. Chadwick was keen to apply the utilitarian test of promoting the greatest happiness of the greatest number to British institutions. William Sturges Bourne had chaired the 1817 Select Committee on the Poor Laws. In his 1816 *Treatise on the Records of Creation* John Bird Sumner had suggested the gradual abolition of the poor laws and their replacement with charity and self-help institutions, such as friendly societies and savings banks (Knott, 1986), via an attempt to reconcile God and the ideas of Thomas Malthus in the minds of ‘conscientious Christians’ (*ibid.*, p. 44). His *Treatise*, therefore, strongly reflected Malthus’ view of the relationships between population and poor relief – ‘The old Poor Law, by acting as a barrier to the operation of the principles of population, obstructed the creation of virtues proper to the labouring classes’ (*ibid.*, p. 45). Sumner had been Senior’s tutor at Eton.
7. The Poor Law Commission existed between 1834 and 1847.
8. The Poor Law Board replaced the Poor Law Commission in 1847 and was itself replaced by the Local Government Board in 1871.
9. A copy of the 1842 Outdoor Labour Test Order is available at: <http://www.workhouses.org.uk/gco/outdoorlabourtestintro.shtml> (accessed 30 October 2015).
10. <http://www.workhouses.org.uk/gco/outdoorlabourtestintro.shtml> (accessed 20 July 2015).

### 3 Wage Supplements and Poor Relief in the 1920s: Norfolk’s Agricultural Labourers

1. Later, President of the Board of Agriculture (1916–1919).
2. Barley was excluded as a concession to the temperance movement.
3. Starnes (1939, p. 501) describes the conciliation committees as ‘almost a complete failure’ because few district agreements were reached and even fewer were passed to the Minister of Agriculture for agreement, and because grievances could only be addressed through civil law proceedings.
4. For instance, in November 1922 Walsingham Union in Norfolk agreed to a reduction from 30s to 27s 6d per week for the relief paid for a woman and her five children in a neighbouring union (Freebridge Lynn). The reason given for Freebridge Lynn making this request was ‘that Agricultural Labourers wages have been reduced’. Acknowledging that the woman had to support five children, it was felt that she nevertheless had ‘no husband to provide food for, whereas a good many agricultural labours have a wife and several children’. The concern for Freebridge Union was the relationship between poor relief and wages, and the number of people that both might be expected to support. Such arguments, though, were not merely applied to able-bodied paupers. Freebridge Lynn Union made a similar argument in the case of a woman with one child ‘who cannot earn anything being very frail’. In this example its board of guardians wanted to reduce her relief from 12s per week to 10s (letter from the Clerk of Freebridge Lynn Union to the Clerk of Walsingham Union, 16 November 1922, NRO C/GP/19/35). Both requests were agreed to. This is not to argue, though, that all boards of guardians were quick to reduce relief during periods of falling or stagnating wages. In the same month the Walsingham Guardians agreed to reductions in relief for two of its paupers residing elsewhere, although it reviewed its own level of outdoor relief, deciding not to change it as it

was 'fair to both recipient and ratepayer'. This decision was based upon a comparison to relief granted in other Norfolk Unions, with which its own scale of relief 'contrasted fairly', and a calculation that related poor relief granted by the Union in 1911 to increases in the cost of living. This analysis suggested that 'the cost of living given...is approximately about 5% more than the standard increase in the cost of necessities' (Minutes of the meeting of the Walsingham Board of Guardians, 29 November 1922, p. 945, NRO C/GP/19/35).

5. In March 1922 the Forehoe Union had to deal with a number of unemployed able-bodied men who said that they could not 'support their families whilst being paid the 75% basis of wages'. The guardians 'directed relief accordingly' (Minutes of meeting of the Forehoe Board of Guardians, 6 March 1922, p. 57, NRO C/GP/8/150). In the winter of 1922 the Mitford and Launditch Board of Guardians heard that unemployed men working in the stone pits on relief work were complaining that what they received in relief (£1 0s 2d per week) was not enough to keep themselves and their families. For the Guardian (and Chairman of its Unemployment Committee) Mr Brett the problem was essentially the operation of less eligibility – 'that men on unemployment relief work must be paid less than the ordinary wages for the district' (*Norfolk Chronicle*, 1 December 1922, p. 5). Where wages were higher, such as Norwich, Brett suggested 'such a margin could be allowed and the men still be paid enough to live on, but in an agricultural district, with the wage at 25s, the rule operated very hardly on the men in the stone pit' (*ibid.*). The Reverend W. H. Macnaughton-Jones was recorded (*ibid.*) as saying that he thought the 'present pay was absolutely a starvation one'. The issue was referred to the Union's Unemployment Committee.
6. The focus in this section is upon agricultural labourers. They were, however, not the only labourers in full time wage work to approach Norfolk Guardians for relief in aid of wages in the study period. So, for instance, Wayland Union was approached by an employee of Thetford Rural District Council 'whose 25s per week was not sufficient to himself, his wife and his seven children under the age of 13'. He was relieved in kind (a stone of flour) for two weeks. The Clerk of the Union was instructed to write to Thetford Rural District Council 'asking if they could not increase the man's wages under exceptional circumstances' (Minutes of the meeting of the Wayland Board of Guardians, 6 November 1922, NRO C/GP/20/43). It refused to do this, suggesting that that the 'Board must deal with the case if necessary' (Minutes of the meeting of the Wayland Board of Guardians, 20 November 1922, NRO C/GP/20/43). The following month Wayland Union was approached for relief to supplement wages by a 'Watton Roadman' with five children who was dealt with by the relief committee (Minutes of the meeting of the Wayland Board of Guardians, 18 December 1922, NRO C/GP/20/43). The wages of Roadmen in Norfolk had been reduced by a joint meeting of the Eastern and Western Highway Committees to 26s per week in October 1922 (*Norfolk Chronicle*, 20 October 1922, p. 5), a level that caused protests in the winter of 1922 (*Norfolk Chronicle*, 15 December 1922, p. 9).
7. Minutes of the meeting of the Forehoe Board of Guardians, 16 October 1922, p. 181, NRO C/GP/8/150.
8. Minutes of the meeting of the Smallburgh Board of Guardians, 24 October 1922, p. 379, NRO C/GP/18/43. These cases were dealt with by the Union's Relief Committee. The outcomes are not recorded.
9. Although the minutes of the meeting of the Depwade Board of Guardians of 18 December 1922 note that, in response to Hervey's request for information about the payment of relief to supplement wages, 'no such relief was being given' (p. 1035, NRO C/GP/3/46).
10. Minutes of board of guardians' meetings suggest that by the end of December Aylsham, Forehoe, Henstead, Loddon and Clavering, Smallburgh, Walsingham and Wayland Unions had been approached by agricultural labourers in full-time work for poor relief

- (NRO C/GP/1/35, meeting 10 December 1922; C/GP/8/150, meeting 16 October 1922; C/GP/12/137, meeting 27 November 1922; C/GP/18/43, meeting 24 October 1922; C/GP/19/35, meeting 1 November 1922; C/GP/20/43, meeting 6 November 1922; *Eastern Evening News*, 21 November 1922).
11. So, for example, in December 1918 Loddon and Clavering Union contacted the Local Government Board (which had central responsibility for poor relief before the Ministry of Health) for advice about the case of an able-bodied agricultural labourer with a wife and six children. It was informed that following a 'full consideration of all the circumstances' relief should be given and be reported as a departure under Article 12 of the RRO 1911 (minutes of the meeting of the Loddon and Clavering Board of Guardians, 13 January 1919, p. 53, C/GP/12/136). Four years later the Ministry of Health told the Smallburgh Union guardians that applications for relief from able-bodied people in full-time work 'should be left to the Relieving Officer to afford relief, in kind, if necessary' (Minutes of the meeting of the Smallburgh Union Board of Guardians, 19 January 1922, p. 408, C/GP/18/43).
  12. Minutes of the meeting of the Forehoe Board of Guardians, 30 October 1922, p. 190, NRO C/GP/8/150.
  13. Minutes of the meeting of the Smallburgh Board of Guardians, 21 November 1922, p. 397, NRO C/GP/18/43.
  14. *Norfolk Chronicle*, 24 November 1922, p. 5.
  15. *Eastern Daily Press*, 2 November 1922, p. 9.
  16. *Ibid.*
  17. *Ibid.*
  18. *Ibid.*
  19. All quotes from Edwards are from the *Eastern Daily Press*, *ibid.*
  20. Letter from Hervey to the Ministry of Health, 6 December 1922, NA MH/57/120.
  21. *Eastern Daily Press*, 28 November 1922, p. 9.
  22. *Ibid.*
  23. *Ibid.*
  24. Copy of letter, Clerk of Loddon and Clavering Union to the Clerk of Blofield Union, 28 November 1922 (NA MH/57/120).
  25. Letter from Hervey to Lowry at the Ministry of Health, 6 December 1922, NA MH/57/120.
  26. Letter from Lowry to Francis at the Ministry of Health, 11 December 1922, NA MH/57/120.
  27. *Ibid.*
  28. W. D. Bushell noted 'amongst the 10,000 able-bodied men in relief in SHEFFIELD less than 100 were in part time employment' (letter from Bushell, Ministry of Health Inspector to Ministry of Health, 13 December 1922, NA MH/57/120).
  29. Letter from H. K. Nisbet, Ministry of Health Inspector, to Ministry of Health, 13 December 1922 (NA MH/57/120).
  30. For example, the Forehoe Unions relief of eight men with between six and ten children each (*Supplementing Wages of Workers on Whole Time Employment. Summary of Inspectors' Replies to Memo of 11/12/22*, NA MH/57/120).
  31. Letter from C. Roundell to the Ministry of Health, 29 December 1922 (NA MH/57/120).
  32. Letter from C. Roundell to the Ministry of Health, 29 December 1922 (NA MH/57/120).
  33. And the concerns of unions with rate payer interests were reiterated at the meeting of the boards of guardians organised by the Loddon and Clavering Guardians, with, for example, R. V. Reyner, a guardian of the Forehoe Union, suggesting that guardians 'were not out to squander the money of the ratepayers. Most of the Guardians were big ratepayers themselves and were sure to be careful in expenditure' (*Norfolk Chronicle*, 26 January 1923, p. 5).
  34. Letter from Hervey to the Ministry of Health, 28 December 1922 (NA MH/57/120). However, it is unclear where this pressure was coming from. Minutes of boards of

- guardians meetings in Norfolk do show occasional deputations of labourers received by the guardians. In April 1923, for instance, Forehoe Guardians received a deputation from agricultural labourers on strike who asked guardians to approach the Farmers Union 'with a view to settling the dispute and point out that unless the present trouble speedily came to a settlement many of the men would be compelled to enter the work-house with their wives and families' (Minutes of the meeting of the Forehoe Board of Guardians, 3 April 1923, p. 279, NRO C/GP/8/150). There are, however, no meetings reported upon or letters received that demonstrate such pressures from trade unions in the latter months of 1922.
35. Letter from Elias to Ministry of Health, 13 December 1922, NA MH/57/120.
  36. Letter from Walsh to Ministry of Health, 14 December 1922, NA MH/57/120.
  37. *Ibid.*
  38. Minutes of the meeting of the Smallburgh Board of Guardians, 19 December 1922, p. 409, NRO C/GP/18/43.
  39. Minutes of the meeting of the Swaffham Board of Guardians, 4 December 1922, p. 189, NRO C/GP/16/38.
  40. *Norfolk Chronicle*, 8 December 1922, p. 1. Although not all of Henstead's guardians were convinced that agricultural labourers were paid wages as low as they said they were. Mr A. Walker is reported as saying that he 'did not think there were many men who were receiving such a small wage [25s per week]. His men were getting 38s...the men who are taking piece work earned a good deal more than 25s per week. As soon as they come to the Board, however, they said they only get 25s and nothing about the "extras"'. In contrast, Messrs Beare and Larter had heard of farmers paying 24s per week (*Eastern Evening News*, 5 December 1922, p. 3).
  41. *Norfolk Chronicle*, 26 January 1923, p. 5.
  42. Minute from Francis, Ministry of Health to Sir Aubrey Symonds, Second Secretary at the Ministry of Health, 12 January 1923 (NA MH/57/120).
  43. Letter from Ministry of Health to Hervey, 18 January 1923 (NA MH/57/120).
  44. *Norfolk Chronicle*, 26 January 1923, p. 5.
  45. *Ibid.*
  46. *Ibid.*
  47. *Ibid.*
  48. *Ibid.*
  49. *Ibid.*
  50. For example, Mr Smithdale (the Chairman of Blofield Union) was 'surprised the Ministry of Health should try to baulk the efforts some Board of Guardians were making to alleviate the troubles of agricultural labourers', while Mr Taylor of Aylsham Union felt that the 'Ministry must take the Guardians into its confidence and not dictate to them'. It would not prevent the 'humane Guardians of Norfolk from continuing to give relief' in such cases (*ibid.*).
  51. Letter from the clerk of Loddon and Clavering Union to the Ministry of Health, 24 January 1923, NA MH/57/120.
  52. Letter from Hervey to Francis at the Ministry Health, 12 December 1922 (NA MH/57/120).
  53. *Norfolk Chronicle*, 26 January 1923, p. 5.
  54. *Ibid.*, p. 3.
  55. *Ibid.*, p. 3.
  56. Letter from Francis, Assistant Secretary at the Ministry of Health to the Clerk of Loddon and Clavering Union, 6 February 1923 (NA MH/57/120).
  57. *Ibid.*
  58. *Eastern Evening News*, 30 January 1923, p. 1. Also *Norfolk Chronicle*, 2 February 1923.
  59. Such a course of action had been highlighted at the conference of the Norfolk rural unions by Mrs Johnson of Aylsham Guardians who was reported as saying that assistance could be given under the Child Welfare and Maternity Act 1918: 'In most large

- families there would be children eligible for free milk, and extra nourishment could be supplied under doctor's orders.' (*Norfolk Chronicle*, 26 January 1923, p. 5)
60. Mr Yaxley noted that taking the children of employed able-bodied people into the workhouse 'will cost three times what it is costing now', while the Chairman, Mr Mutimer, said that in 'all the years he had presided over the Board he had set his face against bringing people into the house' (*Eastern Evening News*, 30 January 1923, p. 1).
  61. Minutes of the meeting of the Forehoe Union, 30 April 1923, p. 297, NRO C/GP/8/150.
  62. Minutes of the meeting of the Wayland Board of Guardians, 12 February 1923, p. 447, NRO C/GP/20/43.
  63. *Norfolk Chronicle*, 2 February 1923, p. 5.
  64. Minutes of Blofield Union, 13 April 1923, p. 144, NRO C/GP/2/38.
  65. Letter from Hervey to the Clerk of Walsingham Union, 6 March 1923, NRO C/GP/19/35.
  66. Minutes of the meeting of the Walsingham Board of Guardians, 7 March 1923, p. 533, NRO C/GP/19/35.
  67. *Ibid.*

#### 4 Wage Supplements and Public Assistance in the 1930s: Lancashire's Cotton Weavers

1. In 1913, for instance, 7,075,252,000 square yards of cloth were produced for export, but by 1934 this was down by over two-thirds (1,993,458,000) (AWA, 1935, *Opening Statement to be Presented to the Board of Enquiry, 13 May 1935, Set Up Under the Cotton Industry (Temporary Provisions) Act, 1934*, circular 1425, p. 4, LRO DDX/1123/4/24).
2. As the AWA put it: 'The idle mills; the smokeless chimneys; and the unemployed operatives, many of whom have done no work for years, are producing a situation of depression and hopelessness. The loss in capital resources, the internal competition for business on a limited market, the continuous strife and internecine warfare that has been a model characteristic of our section of the industry during the last 10 years, have created bitterness and animosity' (*ibid.*).
3. Cotton industry employers were clear that their desire was to roll back wage gains made by weavers post-WWI to levels akin to those of pre-WWI: 'The sooner work-people in all industries realise, however unpalatable it may be, that it is in their best interest to get back to something nearer their pre-war wages...the better it must be for all concerned. It must be manifest that the cotton trade can no longer bear the high rates of wages, fixed under artificial conditions and it is inevitable that wages must be re-adjusted still further' (*First meeting Executives of Operatives' Amalgamations (Except Cardroom Representatives), and General Councils of the Federation of Master Cotton Spinners Associations and the Cotton Spinners and Manufacturers Association*, Friday 31 March 1922, p. 6, LRO DDX/1123/6/2/125).
4. The AWA noted in 1935 that: 'Movements in wage rates have always tended to subsistence levels and if that subsistence level is lower in one district than another, repercussions inevitably follow and soon the general rates obtaining are those that have been initiated by the unscrupulous employers. The maintenance of agreements...is absolutely imperative' (Associated Weavers' Association, 1935, *Opening Statement to be Presented to the Board of Enquiry, 13 May 1935, Set Up Under the Cotton Industry (Temporary Provisions) Act, 1934*, circular 1425, p. 6, LRO DDX/1123/4/24).
5. *Ibid.*, p. 7.
6. *Ibid.*, pp. 4 and 5.
7. The point was made several times in 1935. The Nelson and District Weavers' Association, for example, suggested that the 'tale that reduced wages will bring increased orders has been told too often to be swallowed again after the experience of the past few years' (cited in *The Nelson Leader*, 10 May, 1935, p. 15).

8. The Lancashire Cotton Corporation experimented with the introduction of automated looms in 1930–31. The owner of Valley Mills, Nelson, Sir Amos Nelson, made the point when he explained to the Manchester Rotary Club that automatic looms were an ‘impractical proposition’ because of their cost and the cost of enlarging weaving sheds that even then would still accommodate fewer than the existing number of looms (*The Nelson Leader*, 8 March 1935, p. 13).
9. It was the case that members of the AWA’s General Committee conceptualised more looms as being operated by men, rather than women and in doing so once again outlined their support for a subsistence level of wages so that, as other trade unions argued, men would be able to support their families via their wages. James Hindle, its President, told the AWA that there may be a situation whereby: ‘You have a man and his wife, both weavers together. There is the possibility... of the husband remaining on eight looms and the wife at home. The husband would get a good wage, but not as good as the two 4-loom weavers between them’ (*Statement by James Hindle JP to a Meeting of the Central Committee*, Ashton-Under-Lyme, 1 December 1928). Mr D. Russell is reported as saying at a later meeting that ‘if the chief of the family had to run the looms, his wife ought to stay in the house, and that meant a subsistence wage being paid’ (Joint Meeting with the Executive of Burnley’s Employers’ Association, Manchester, 5 March 1929, LRO DDX/1123/6/2/363c). It was, however, reported in 1930 that it was employers who had ‘prepared a scheme designed to spread employment among those who need it most. The plan suggests that married women without dependants should cease working in the mills and that single men and women should work only alternative weeks, leaving full-time work to male and female labour with dependants... a leading employer told a “commercial” representative that if the eight-loom system were introduced on a 25 per cent basis the abstention of married women from work would probably solve the labour surplus in Burnley’ (*Manchester Guardian Commercial*, 27 March 1930, LRO DDX/1123/6/2/363b).
10. By 1937, for example, less than sixteen percent of all weavers were employed on the more looms system (Bowden and Higgins, 1999).
11. Letter from Ronald Cross MP to Lord Rushcliffe, Chair of the UAB, 4 March 1935 (NA AST/7/157).
12. *Ibid.*
13. *Ibid.*
14. *Ibid.*
15. Letter from Lord Rushcliffe to Ronald Cross, MP, 15 March 1935 (NA AST/7/157). Cross received a similar response when he raised the issue in parliament (House of Commons Debates, 1935, col. 800).
16. *Ibid.*
17. Northern Counties Textiles Trades Federation (1939) *Operatives’ Case in Support of Application for Minimum Wage for Weavers* (LRO DDX/1123/6/2/476).
18. Notes on subjects to be discussed at the meeting between Sir George Chrystal and Lancashire’s PAC, p. 2, NA AST/7/157.
19. The *Proceedings* report of Lancashire’s PAC meeting of March 1933, for instance, shows that the Ministry of Health was concerned with the small number of able-bodied men who were being given outdoor relief and were being set to work as a condition of its receipt. Lancashire’s PAC noted the ‘many considerable difficulties in entering arrangement for setting men to work’. These included the numbers of men involved, the lack of an institution in some areas in which to set men to work and the distance that some men lived from the institutions that did exist (LRO CC/PAM/8). The Ministry of Health was also critical of the practice in some relief districts in Lancashire of varying the number of hours of work demanded of able-bodied paupers according to the amount of relief received and for paying to organisations (primarily district councils) providing work to paupers the amount they would have received in relief as part payment of their wages. The Ministry of Health argued that varying the number of hours work demanded of paupers was inconsistent with the aim of offering task work, which was

- 'to preserve the morale and to maintain the physical and general employability of the men concerned'. Varying the hours of work demanded was held to suggest that the 'work performed is in the nature of work done for wages' (letter from the Ministry of Health to the Lancashire PAC, discussed at its Central Relief Sub-Committee meeting, 20 June 1932, p. 6, LRO CC/PRM/2). The practice of giving money that would have been spent on relief for wage workless paupers to district councils employing them was, for the Ministry of Health, 'undesirable' because of the above objections to varying hours of task work and because such work should be available to all unemployed men and not just 'the particular class which has applied for poor relief' (letter from the Ministry of Health discussed at the PAC meeting, 30 May 1932, p. 62, LRO CC/PAM/7). While Lancashire's PAC agreed to end such practices from June 1932, this commitment displeased at least one district council (Farnworth) and, in the case of stopping the varying of task work hours, the PAC faced considerable resistance from the Atherton Guardians Sub-Committee of the Leigh relief district, which refused to stop the practice (see Proceedings of PAC meetings 25 July 1932 and of the Central Relief Sub-Committee September to December 1932, LRO CC/PAM/7, LRO CC/PRM/2).
20. *General duties of a Relieving Officer, Lecture Notes*, p. 4, LRO CC/PAF/1/2.
  21. It had, for instance, requested permission from the Department of Health to depart from Article 8 in six cases in December 1932. Permission was refused (Proceeding of PAC meeting 25 January 1932, LRO CC/PAM/6).
  22. *The Nelson Leader*, 8 March 1935, p. 4.
  23. *Ibid.*
  24. The Public Assistance Officer (Mr G. Holloway) pointed to piecer work being done in East Lancashire by 'men for boys wages', while Guardian Mr T. Leach, argued that the Guardians' Committee 'had to grant sums of money to make those workers [farm labourers, looms sweepers and weavers] living something like decent' (*Chorley Guardian and Leyland Hundred Advertiser*, 6 April 1935, p. 12).
  25. Minutes of the Central Relief Sub-Committee, Lancashire PAC, 15 April 1935, p. 316, LRO CC/PRM/3. Also *Chorley Guardian and Leyland Hundred Advertiser*, 6 April 1935, p. 12.
  26. *Ibid.* Members of Lancashire's PAC were not unanimous in their support of the idea of supplementing wages and there were concerns that such wage supplements, in an approach similar to that of the 1834 Poor Law Commission's argument, merely reproduced low wages. So, for example, Dr. Mannix of Lancaster complained that supplementing wages 'would afford an opportunity for certain types of employers to pay low wages, knowing that their employees would be able to go to the Guardians' Committee, to make up the amount', while Councillor R. Constantine from Accrington thought that 'the remedy would be worse than the disease' (*The Lancashire Daily Post*, 29 April 1925, p. 7).
  27. Letter from Clerk of Lancashire County Council to the Ministry of Health, 30 April 1935 (NA AST/7/157).
  28. *Ibid.*
  29. See *Proceedings* of the meeting of Lancashire's PAC with Sir George Chrystal, 17 January 1936 (LRO CC/PAM/10).
  30. As was pointed out at the meeting with central government officials, relief via the 'sudden and urgent necessity' provision of Section 17 of the Poor Law Act 1930 was held to be 'inappropriate for recurring need' (Minutes of meeting between the Public Assistance Committee of Lancashire County Council and Ministry of Health, 17 January, 1936, NA AST/7/157).
  31. Letter from the Ministry of Health to the Clerk of Lancashire County Council, 16 May 1935 (NA AST/7/157).
  32. *Ibid.*
  33. Following a meeting between the Nelson Weavers' Association and one of the Relief Sub-Committees of the Burnley and Nelson Guardians' Committee the latter resolved

that the Ministry of Health should revise Article 8 of the RRO 1930. Speaking to the resolution Councillor, V. Titherington said that a deputation from Lancashire County Council had already attended the Ministry of Health to discuss the issue, but that 'the deputation had got things mixed up a little' (*The Nelson Leader*, 9 August, 1935, p. 13, *The Lancashire Daily Post*, 8 August 1935, p. 3). There is no record of such a deputation in the minutes of Lancashire's PAC between its inception and the August meeting of the Burnley and Nelson Guardians' Committee.

34. *Proceedings* of Lancashire's PAC, 30 September 1935, LRO CC/PAM/10.
35. Minutes of meeting between the Public Assistance Committee of Lancashire County Council and the Ministry of Health, 17 January 1936 (NA AST/7/157).
36. *Ibid.*
37. *Ibid.*
38. *Ibid.*
39. *Ibid.*
40. Letter from the Ministry of Health to the Lancashire PAC, 17 February 1936, p. 310, LRO CC/PAM/10.
41. Report of the Central Relief Sub-Committee in the *Proceedings* of Lancashire's PAC meeting 30 March 1936, p. 22, LRO CC/PAM/11.
42. *Ibid.*
43. Proceedings of an ordinary meeting of the Blackburn and Clitheroe Guardian's Committee, 26 February 1936, p. 139, LRO CC/PU/5/1/6.
44. The AWA had suggested various ways of financially protecting under-employed weavers. These included a fall back wage, sometimes also referred to as a minimum wage, that guaranteed weavers an income from the looms that they normally would have expected to operate, but which were idle, and an insurance-based system (25% weaver and 75% employer contribution) that would also have guaranteed weavers an income from looms that were idle. Mill owners had 'always been reluctant to examine, or even discuss, [the] principle of a minimum wage; first because it is alleged it would considerably increase costs of production, and secondly, because it would seriously reduce output.' (*Report and Statement of Account of the Amalgamated Weavers Association for the Year Ending March 31st 1937*, p. 32, LRO DDX/1123/1/32) For employers 'wage incentives [were] necessary to maintain efficiency and productivity of the work-people' (*Operatives' Case in Support of Application for Minimum Wage for Weavers*, Northern Counties Textiles, Conciliation Committee, 1939, p. 3, LRO DDX/1123/6/2/476). Weavers were split in their attitudes (50.3% against compared to 49.7 in favour) to a contributory system suggested by the AWA in the early 1920s. At the time weavers were facing wage cuts and many were opposed to further deductions from their wages (for example, letters in 1921 from Oldham and District Weavers, Winders' etc., Association, Todmorden Branch of the Northern Counties Amalgamated Weavers' Association etc., Church and Oswaldtwistle Weavers, Winders and Warpers' Association to Joseph Cross of the AWA, LRO DDX/1123/6/2/56).
45. Andrew Naesmith, the Secretary of the AWA, really made the point when, following the AWA's meeting with the Minister of Labour in December 1935, he was reported as saying that: 'We subscribe to the principle that the State should not make up wages because a trade union and the industry have not negotiated a reasonable basis. Our members are being paid in accordance with the rate arrived at by collective bargaining. In some cases men are only drawing 16s. for a week's work' (*The Lancashire Daily Post*, 14 December 1935, p. 5).
46. The TUC did not support FAs until the late 1930s (see Chapter 5). However, the deputation that the AWA sent to the Minister of Labour in December 1935 was accompanied by a representative (J. L. Smyth) of the TUC.
47. The vast majority (98%) of Nelson and Colne Weavers' Associations members resolved to 'protest emphatically against the unjustifiable wage reductions involved in the new wage agreement and humbly ask that the agreements should not be embodied in an

- order under the Act' (*The Nelson Leader*, 12 April 1935, p. 2, also *The Lancashire Daily Post*, 11 April 1935, p. 3). The legalised wage was introduced on 15 July 1935. The principle of wage regulation – that at least had the advantage of preventing *ad hoc* wage cuts by individual companies – was not being challenged by the Nelson and Colne Weavers' Association. What was being challenged was how, in practice, in 1935 it involved substantial decreases in wages for weavers (*The Nelson Leader*, 29 March, p. 14). The employers' position was that weavers in Nelson were overpaid (*The Nelson Leader*, 19 July 1935, p. 13) and that Nelson weavers' actions might 'drive the employers out of town', forcing the movement of production of some cloths to other areas where wages were lower (*The Nelson Leader*, 29 March, 1935, p. 14, *The Lancashire Daily Post*, 12 August 1935, p. 3). The latter point was undermined by the fact that such a danger had existed after the introduction of the Midland Agreement when, in order to compete with each other, individual employers reduced wages.
48. At the Special General Meeting the Nelson and District Weavers' Association's representative, for instance, highlighted reductions in rates of payments for various cloths that varied from 6.7 per cent to 43.53 per cent and which averaged 20 per cent. The motion was seconded by Colne District Weavers' Association, members of which outlined similar reductions in prices paid for woven cloth in their area (*Report of Special General Meeting of the AWA*, 10 August 1935, LRO DDX/1123/2/9).
  49. *Report*, General Meeting of the AWA, 17 August 1935, npn, LRO DDX/1123/2/9. See also *The Lancashire Daily Post*, 17 August 1935, p. 6.
  50. 'The Poor Law and You', *The Power Loom. A Monthly Circular to the Members of the Nelson and District Weavers' Association*, no. 236, August 1935, p. 3 (LRO DDX/1123/6/2/416).
  51. *Ibid.*
  52. *Ibid.*
  53. *Ibid.*
  54. *Report of the General Meeting of the AWA*, 17 August 1935 (LRO DDX/1123/2/9).
  55. The deputation of the General Committee of the AWA to Brown should have happened in October 1935, but was delayed because of the calling of the general election that year.
  56. AWA, *Statement of Case Relating to Under-employment and Public Assistance*, September 1935, p. 5, (NA AST/7/157).
  57. The quote comes from the AWA's *Report and Statement of Accounts for Year Ending March 28th, 1936*, p. 14 (LRO DDX/1123/1/31).
  58. *Draft brief for use in connection with the deputation to be received on 31st October*, p. 3 (NA AST/7/157).
  59. *Ibid.*, p. 4.
  60. *Ibid.*, p. 3.
  61. *Ibid.*, p. 4.
  62. *Ibid.*
  63. *Ibid.*
  64. *Ibid.*
  65. The quotes from Standing Committee D are taken from the paper, *Draft Brief for Use in Connection with the Deputation to be Received on 31st October*, p. 5 (NA AST/7/157).
  66. *Ibid.*
  67. *Note of the Deputation Received on 13th December*. The meeting had been postponed from 31 November (NA AST/7/157).
  68. Letter from H. Hancock (UAB) to H. De Villiers (Ministry of Labour), 30 October, 1935 (NA AST/7/157).
  69. *Ibid.*
  70. In 1931, for example, Andrew Naesmith noted: 'In Lancashire there has grown up, whether we like it or not, the family system, whereby the father and mother and children have all worked in the mill side by side. The male weaver has never earned sufficient wages to maintain his wife and family, and in consequence the income has had

to be assisted by other members of the family contributing their quota.' ('The Crisis in Cotton', *The Plebs*, February 1931, p. 34, LRO DDX/1123/6/2/363c)

71. *Note of the Deputation received on 13th December*, p. 3 (NA AST/7/157).
72. *Operatives' Case in Support of Application for Minimum Wage for Weavers*, Northern Counties Textiles, Conciliation Committee, 1939, p. 4 (LRO DDX/1123/6/2/476).
73. *Ibid.*
74. AWA, *Statement of Case Relating to Under-employment and Public Assistance*, September 1935, p. 3 (NA AST/7/157).

## 5 Family Allowance, the Rediscovery of Poverty and Rejection of Means-tested Wage Supplements

1. *Abolition of the Poor Law. Committee to Consider Proposed Bill*, Fifth Meeting, 16th May, 1946, p. 4 (NA MH 79/313).
2. The Unemployment Insurance Statutory Committee was introduced in the Unemployment Act 1934. Its main aim was to repay the Unemployment Insurance Fund's debt, which by 1934 was nearly £106 million, at a rate of £5 million per annum. It, like the UAB, however, also acted to shield the Minister of Labour from demands for higher benefit rates and to distance the Minister from decision making about particular cases of unemployment insurance (see, for example, Macnicol, 1980).
3. The Treasury's policy was that the UAB should not be subsidised via unemployment insurance. In addition, there were politico-moral concerns with the differing bases of unemployment assistance and unemployment insurance, most notably the argument that 'applicants to a contributory scheme should always be better off than those receiving means-tested, tax financed, discretionary payments' (Macnicol, 1980, p. 122).
4. *Report of the Unemployment Insurance Statutory Committee for 1934*, cited in Macnicol (*ibid.*).
5. *Report of the Unemployment Insurance Statutory Committee for 1935*, cited in Macnicol (*ibid.*, p. 123).
6. Of the 'standard' family of two adults and three children used by Rowntree (1918) in his demand for minimum wages and FA, Rathbone (1924, p. 20) argued that 'provision would be made for 3 million phantom wives, and for over 16 million phantom children in the families containing less than three children, while on the other hand, in families containing more than three children, those in excess of that number, over 1¼ million in all, still remain unprovided for'.
7. So, for example, evidence presented to the Interdepartmental Committee on Social Insurance and Allied Services by Eva Hubback for the Family Endowment Society suggested that a social justice case could be made on the grounds that a reliance on wage income to support children meant that 'there are great inequalities in the standard of living between the different families living on the same income in every economic grade except the richest' (*Interdepartmental Committee on Social Insurance and Allied Services. Evidence by Mrs. E. N. Hubback on Behalf of the Family Endowment Society*, April 1942, p. 2, NA PIN/17/1).
8. Keynes (1940, p. 32) noted that: 'In time of war it is natural that we should be more concerned than usual with the cost of living; and as soon as there is a threat of a rising cost of living and a demand for higher wages to meet it, the question of family allowances must come to the front. For the burden of the rising cost of living depends very largely on the size of a man's family'.
9. *Interdepartmental Committee on Social Insurance and Allied Services. Evidence by Mrs. E. N. Hubback on Behalf of the Family Endowment Society*, April 1942, p. 14, NA PIN/17/1.
10. So, for instance, during discussions about the introduction of FA it was pointed out by Sir George Epps (Government Actuary) that 5s per week 'might produce economy

and simplicity' and Mr Hale (Treasury) that 'family allowance was meant to be a help towards the costs of bringing up a family, not to relieve the father of all financial responsibility' (*Official Committee on the Beveridge Report, Fifth meeting*, 29 December 1942, para. 8, NA ED/136/373). For Sir Maurice Holmes (Board of Education) and Mr King (Assistance Board), 5s per week 'had the virtue of not pretending to be a subsistence rate' (*ibid.*, para. 14, original emphasis). Such a rate would 'be very unstable and there would be pressure for its increase if the cost of living rose or if the medical experts revised [their] views on the minimum adequate diet' (*ibid.*).

11. Rowntree and Lavers' (1951, p. 35) research suggested that while poverty due to inadequate wages had accounted for about a third (32.8%) of people in poverty in 1936, it accounted for just one per cent in 1950.
12. The use of the national assistance level as a measure of poverty caused concern among civil servants (*Child Poverty Action Groups' Memorandum*, 5 January 1966, NA BN 89/143), while Tony Lynes noted that the increase in the number of people below the relevant national assistance level was a consequence of improvements in its value (a 40% increase between 1960 and 1965) compared to average (male) industrial earnings (a 34.1% increase between the same dates). He, too, thought it is was 'questionable whether measurements of poverty based on National Assistance scales... would be appropriate for both [years]' (*Points for Prime Minister's Reply to Child Poverty Action Group*, 5 January 1966, p. 1, NA BN 89/143).
13. The wage stop was an administrative device that allowed the amount of social assistance paid to households to be restricted to what the applicant might be expected to earn in wages. It was controversial because it restricted to below national assistance – the level that the governments set as being the minimum that people should subsist on – the incomes of households where either earning potential was low or there were large numbers of children, or both. For the Supplementary Benefit Commission (1967) the wage stop, contrary to wider beliefs, was not concerned with maintaining the financial incentive to take paid work, but was concerned with equity between those people in wage work which paid wages below social assistance scale rates and those people who were not in paid work, but whose social assistance payments, because of the inclusion of dependents, might be higher than her or his peers in wage work (Brown, 1990). For its critics, however, the wage stop was merely a means of ensuring financial less eligibility (see Elkes, 1974, Brown, 1990).
14. Letter to the Prime Minister from the CPAG, 22 December 1965, p. 1 (NA BN 29/2909).
15. <http://www.cpag.org.uk/content/family-poverty-memorandum> (accessed 15 January 2014). A copy is also available in NA BN/29/2909 and NA PREM/13/3264.
16. The benefit ceiling was introduced in the National Insurance Act 1966. Its role was similar to that of the wage stop of social assistance in that it limited the amount of short-term social insurance benefits a claimant could receive. It was concerned with both maintaining less eligibility by ensuring that recipients had an incentive to take wage work and ensuring, in the Beveridge actuarial tradition, that such people were not over-compensated when they were not in wage work (see, for example, *The Problem of the Benefit Ceiling* on the former and *Earnings-related Short-term Benefits and the Benefit Ceiling. Memorandum by the Minister of Pensions and National Insurance* on the latter, NA PIN/72/25). It was made necessary by the introduction of earnings-related short-term social insurance benefits and it meant that the recipients of such benefits could not receive more in benefit than 85 per cent of their average weekly earnings. It was, however, different to the wage stop in that it was backward looking to previous earnings in the relevant tax year (to ensure there was no over-compensation), rather than being compared to what the claimant might earn if in wage work. This way of limiting such benefits became particularly problematic in the 1970s when inflation was increasing rapidly, but claimants' earnings-related benefits were being limited by comparisons

- to previous years (see, for example, letter from Peter Deakins, Parliamentary Under-Secretary of State at the DHSS to Peter Doig MP, 7 February 1978, NA PIN/72/59/2).
17. McCarthy is referring to the Review of Social Security which began in early 1965 with the purpose of 'review[ing] the social security cash benefit schemes' (note Dronfield to Herbison, 28 January 1965, p. 1, NA PIN/18/514). Its main focus, however, was upon 'the achievement of a scheme, covering the main long-term national insurance benefits, providing "half-pay" benefits as outlined in the Labour Party's programme' (*The review of social security*, written by Clifford Jarrett, 6 January 1965, para. 9), with a parallel focus upon 'the elaboration of proposals for an income guarantee and interim proposals for wage-related short benefits' (*ibid.*, para. 10). For Douglas Houghton (Chancellor of the Duchy of Lancaster and the 'overseer of the social services', Field, 1971, p. 146), however, there was a danger that even with, or perhaps because of, the wider review of social security, FA and its relationship to other provision for children (for example, welfare milk and free school meals) would be neglected. Hence, his lobbying of the Chief Secretary to the Treasury John Diamond for a review of 'what has been called "family endowment"' (Letter, Houghton to Diamond, 27 May 1965, p. 2, NA PIN/18/514). Houghton had the support of Anthony Crosland (then Secretary of State for Education and Science) who thought the area of family endowment was 'a frightful muddle and tangle' (letter, Crosland to Houghton, 28 May 1965, p. 1, NA PIN/18/514). However, it was not until after receipt of the CPAG's Memorandum of December 1965 that Houghton got his wish when any work relating to FA in the Review of Social Security was taken over by the Review of Family Endowment. Its role was: 'To keep under review the structure and scope of the existing system of social services and benefits, both direct and indirect; to consider what changes are required to ensure that the system develops on a coherent and consistent basis during the next five years; and to make recommendations as necessary, to the Ministerial Committee on Social Services' (letter from Houghton to Callaghan, 16 March 1966, p. 3, NA IR/40/18685/2).
  18. Sir Kenneth Stowe, for example, noted 'an attack on the [National Assistance] Board seems to be developing about the wage stop clause' (*ibid.*), while Sir Donald Sargent, then Secretary to the National Assistance Board (cited in Veit-Wilson, 1999, p. 121) was noted as saying: 'Necessary as the wage stop is, we cannot but feel very unhappy at restructuring a family's income to some pounds below what, according to our scales, it should be.'
  19. Letter from Sargent to Herbison, 11 October 1965, para. 16 (NA BN/72/65). Sargent's support for the wage stop was demonstrated by the fact that he thought it should be extended to unemployment benefit. This happened with the introduction of short-term earnings-related benefits in the National Insurance Act 1966. The introduction of such benefits, with a ceiling of what could be reached, was both a departure and continuity in Beveridge's thinking. An earnings-related scheme was anathema to Beveridge (1942), whose approach was based on providing a subsistence level of income with the individual making provision thereafter. However, as noted above, it was consistent with his actuarial view of the insurance principle that in receiving the indemnity (the insurance benefit) the applicant should not receive more than the loss (wages).
  20. Letter from Sargent to Herbison, 11 October 1965, para. 17 (NA BN/72/65).
  21. *General Note*, written by John Walley, 21 December, 1961, p. 2 (NA BN/72/145). Walley's note suggests that when taken with the value of food subsidies there was, in fact, a case to be made for increasing the value of FA, rather than seeking economies (*ibid.*, p. 3).
  22. In the early 1960s there was some pressure from the Treasury to reduce the cost of FA. To meet these demands abolishing FA for the second child while increasing it for the third and subsequent children was considered. While it was argued that there was little public support for FA, it was also felt that it would be a '[p]olitically... formidable undertaking' as it would involve the removal of FA from 2.2 million families (out of 3.6 million). The idea that such a development could be presented as a 'rearrangement

- of the Family Allowances scheme in favour of the larger families...would...expose us [the Conservative Party] to ridicule' (*Family Allowances. Memorandum by the Minister of Pensions and National Insurance*, January, 1962, para. 1, NA BN/72/145), and it would remove money from the income poorest families. In this context, the preference of the Minister of Pensions and National Insurance (John Boyd-Carpenter) was for a reduction in child tax allowance 'which would ensure that it was better-off families, who contributed to the Treasury's desire for savings'. (*Minister's Personal Notes*, January 1962, NA BN/72/145). Boyd-Carpenter was also mindful that 'it would be unwise to under-rate the effect on our hopes of wage restraint' of such a change (*Family Allowances. Memorandum by the Minister of Pensions and National Insurance*, January, 1962, para. 7, NA BN/72/145) and that if entry to the European Common Market was desired Britain would be under pressure to improve FA (*ibid.*, para. 4).
23. In the immediate aftermath of the CPAG's memorandum, Chancellor of the Exchequer James Callaghan made it clear to Herbison that he would not countenance policy developments in the area of family endowment without knowing 'about the numbers of families who may be in difficulties, what sort of families they are and their general circumstances' (letter from Callaghan to Herbison, 25 February 1966, NA IR/40/18685/2). Herbison had requested such a study. It meant, however, that developments would be delayed because Callaghan did 'not wish to take action that might make it more difficult in the longer term to produce a sensible scheme with the right scope and the right emphasis' (*ibid.*).
  24. Douglas Houghton, thought that the issue of 'family support' was 'the first and most urgent' issue facing the government (letter from Houghton to Callaghan, 16 March 1966, p. 1, NA IR/40/18685/2), while Herbison thought that 'child poverty is to-day one of our most urgent problems – if not the most urgent – in social security, not merely in humanitarian but also political terms' (letter from Herbison to Callaghan, 8 February 1966, p. 1, original emphasis, NA IR/40/18685/2). Even Callaghan, with whom Herbison was later at loggerheads over family endowment policies, was 'concerned about the evidence that there was great poverty among large families' (Board of Revenue, *Note for the Record*, 1 February 1966, p. 1, NA IR/40/18685/2).
  25. In February 1966 Herbison suggested a universal increase in FA of 14s 6d per week for all eligible children at a cost of £220 million (letter from Herbison to Callaghan, 8 February 1966, p. 1, NA IR/40/18685/2). However, both the Prime Minister, Harold Wilson, and Callaghan were interested in more limited approaches to increasing FA. Wilson, for instance, supported an approach that would have taken FA to a level that meant it would have been equivalent had FA levels of 1946 been increased by retail prices (letter from Prime Minister's Office to the Treasury, 7 February 1966, NA IR/40/18685/2), while Callaghan was in favour at the time (his later preference was to change to a fully means-tested version) of targeting support on the largest poorest families by increasing FA for the third and subsequent child, and recouping the increase from better off families by reducing income tax child allowances (*Note for the Record*, 1st February 1966, NA IR/40/18685/2).
  26. From the outset Houghton warned Wilson of the difficulties involved in attempting to improve financial support for working families. It would, he noted, mean: 'either (a) the present public expenditure limitations are eased (e.g. by treating social security transfer payments differently from other forms of public expenditure); or (b) we amend our present priorities within the social security programme' (letter from Houghton to Wilson, 18 January 1966, p. 2, NA BN/29/2909).
  27. Herbison could 'see no room available within my public expenditure limits...to do anything for these children in want, let alone solve the problem' (letter from Herbison to Callaghan, 3 March 1966, p. 1, NA IR/40/18685/2). She suggested, admitting that it was fiercely opposed by the Treasury, that a way forward would involve 'applying...the concept of substituting Government expenditure for tax reliefs

which has already been adopted in connection with the new system of investment grants' (*ibid.*). In Herbison's suggestion we get a hint of the view of personal taxation that was popular at time among some analysts (for example, Richard Titmuss and his 'Titmice') who had been advising the Labour Party over social policy issues (see McCarthy, 1986; Thornton, 2009; Sheard, 2013). Titmuss (1976, p. 45, originally 1958) was of the view that in 'their primary objectives and their effects on individual's purchasing power there were no differences in these two ways [social security allowances and income tax relief] by which collective provision is made for dependencies'. A Memorandum sent to Douglas Houghton in June 1966 by the Social and Economic Affairs Committee of the Society of Friends (the organisation from which the CPAG developed) and written by Tony Lynes (one the Titmice) argued for a substantial increase in FA alongside the abolition of child tax allowances or an extension of tax allowances to those below the tax threshold, a precursor to later tax credit schemes (McCarthy, 1986, pp. 41–42). While Herbison did not recommend the abolition of the child tax allowances, she did argue that they were essentially little different to FAs – that both 'tax allowances and cash benefits are intended to give help to families with children against those without. Together they are complementary, providing a flexible means of deciding how such help should be given' (*Family Allowance. Memorandum by the Minister of Social Security*, March 1967, para. 5, NA T/227/2420). However, for the Inland Revenue income tax allowances for children were 'not a state subsidy. No payment is made to the taxpayer by the State'. In contrast, they were better understood as 'part of the system of tax graduation, by which the tax liability is varied according to the taxpayer's family responsibilities. The tax thus takes account of capacity to pay' (*Tax Principles*, draft paper, Inland Revenue, 2 December 1966, p. 1, NA T/227/2242). The Chancellor of the Exchequer was encouraged by the Inland Revenue to make similar arguments to backbench Labour MPs in May 1967 (*Family Allowances. Note by the Board of Inland Revenue*, 10 May 1967, NA T/227/2242).

28. Letter from Herbison to Callaghan, 8 February 1966, p. 1 (NA IR/40/18685/2).
29. Callaghan was concerned that there was a 'fringe of families which exploited the welfare services and thereby caused resentment among the larger numbers of scrupulous citizens. This resentment would be increased if large cash handouts were made to the "fringe" families' (*Family Allowances*, note for the record of meeting between James Callaghan, Sir William Armstrong, Sir Alexander Johnston, Sir Eric Roll and Professor Nicholas Kaldor, 10 February 1966, p. 1, NA IR/40/18685/2). For Walley, while there may have been little public support for FA, it was nevertheless a policy that had important economic effects, notably placing downward pressure on wage levels and maintaining work incentives (*The "Wage Stop", Family Allowance and the Incentive to Work*, memorandum by the Ministry of Pensions and national Insurance, March 1963, NA BN/72/145).
30. <http://www.labour-party.org.uk/manifestos/1964/1964-labour-manifesto.shtml> (accessed 26 February 2014).
31. *Family Allowances*, note from Clarke to Bancroft (Treasury), 8 February 1966, p. 1 (NA IR/40/18685/2).
32. Such an approach was dismissed by the Treasury: 'to increase all family allowances or to increase the allowance for e.g. all third and subsequent children is to use a sledge hammer to crack a nut' (*Family Allowances*, note from Armstrong to Bancroft, 14 February 1966, para. 7, NA T/227/2238).
33. The idea of such a wage supplement was ruled out of contention at the second meeting of the committee considering family endowment (*Family Endowment. Notes of a Meeting Held at the Treasury*, 18 March 1966, para. 7, NA AST/7/1942).
34. *Family Allowances*, from the Chairman of the Board of the Inland Revenue (Sir Alexander Johnson to Nicholas Kaldor, 4 February 1966, p. 1, NA IR/40/18685/2).

## 6 Family Income Supplement: Reintroducing Means-tested Wage Supplements

1. Internal note, Ministry of Pensions and National Insurance (MPNI), 4 January 1966, p. 1 (NA BN/29/2909).
2. *Ibid.*
3. *Ibid.*
4. *Ibid.*
5. *Ibid.*
6. *Family Endowment*, 11 March 1966, para. 17 (NA AST/7/1942).
7. *Ibid.*
8. This was because it was agreed at the meeting that an earnings supplement 'suffered from all the disadvantages of the means-tested family allowances without offering any compensating advantages' and that the coverage of such a policy was likely to be too broad (beyond 'the large family') (*Family Endowment*, note of a meeting held at the Treasury, 18 March 1966, para. 7) (NA AST/7/1942).
9. *Ibid.*, para. 6.
10. *A Means-Tested Supplement of Family Allowances. Note by the Ministry of Pensions and National Insurance and the National Assistance Board*, 31 May 1966, para. 2 (NA AST/7/1943).
11. *Ibid.*
12. *Ibid.*
13. *Ibid.*, para. 2(a). In addition, Lynes criticised the means-tested nature of such a scheme stating that it would be seen as only being 'for the poor and could lead to reluctance to apply for supplementation' (*ibid.*, para. 2(c)) and, arguably in tension with this argument, that it would 'not be possible to limit such payments to families with children...since national assistance grants are not limited in this way' (*ibid.*, para. 2(d)). Also, a 'precise calculation of resources would be necessary at frequent intervals' (*ibid.*, para. 2(e)).
14. *A Means Tested Supplement to Family Allowances*, from letter from the NAB to the MPNI, 24 June 1966 (NA AST/7/1943).
15. *Family Endowment: Possible Schemes of Means-Tested Supplementation. Note by the Ministry of Social Security*, SS(0)(66)27, 16 August 1966, para. 2 (NA BN/89/143).
16. *Ibid.*
17. *Ibid.*, paras. 7(1)–7(7).
18. *Means-Tested Schemes for Dealing with Family Poverty*, 11 August 1966, para. 1(1). Paper was written by Kenneth Stowe of the NAB (NA AST/7/1929).
19. The figure was 160,000 in the *Circumstances of Families* (Ministry of Social Security, 1967).
20. *Means-Tested Schemes for Dealing with Family Poverty*, 11 August 1966, para. 1(2), NA AST/7/1929.
21. *Ibid.*, para. 1(4).
22. *Ibid.*, para. 1(3).
23. *Ibid.*, para 1(5).
24. *Ibid.*, para. 2(a).
25. *Ibid.*, para. 2(d).
26. *Ibid.*, para. 2(f).
27. *Family Allowances*, note for the record of meeting between James Callaghan, Sir William Armstrong, Sir Alexander Johnston, Sir Eric Roll and Professor Kaldor, 10 February 1966, p. 1 (NA IR/40/18685/2).
28. Clawback (or give and take) schemes were criticised by Inland Revenue officials for 'forcing parents as a class to meet the costs of improving family allowances to the bigger families – while bachelors, spinsters and childless married couples and those parents whose children no longer rated for child allowance (or indeed never did

- qualify for it – e.g. because their incomes exceeded the statutory limit) would not have to shoulder any of the burden. This is wrong in principle’ (*Improvements in Family Allowances*, Inland Revenue, 11 February 1966, para. 5, NA IR/18685/2). In addition, concern was expressed that the ill-feeling a clawback system would invoke would ‘be out of all proportion to the amount of tax involved’ (*ibid.*), with it being claimed that it was possible that all affected taxpayers, even those benefiting from a give and take system – would ‘regard themselves as worse off – looking at the tax increase alone, and not taking account of the improvement in family allowances that some get’ (*ibid.*).
29. *Family Endowment, Memorandum by the Chancellor of the Exchequer and Minister Without Portfolio*, C(67)(17), 17 February 1967 (NA CAB/129/128/17).
  30. Herbison’s objection to means-tested family endowment schemes included concerns with their potential impact upon work incentives: ‘Any means-tested scheme must involve a reduced financial incentive for its beneficiaries to increase or even maintain their earnings. There would be accusations of deliberate slacking, whether well founded or not, and there would be considerable feeling between the responsible man, who worked hard enough to be independent, and the man who, for example, refused overtime because he preferred to rely on means-tested benefit. Already there is concern and criticism, among some of our most loyal supporters about the “malingerer”’ (*Family Endowment. Memorandum by the Ministry of Social Security*, para 3(d), C(66)183, 16 December 1966, NA CAB/129/127/42).
  31. *Family Endowment. Memorandum by the Minister Without Portfolio*, C(66)159, para. 6, 11 November 1966 (CAB 129.127/18).
  32. By February 1967 the CPAG backed Herbison’s support for clawback. It had shifted from its demand to end income tax credits in order to fund increases in FA.
  33. *Family Endowment*, note from Rampton to Armstrong (Treasury) 24 February 1967, pp. 2–3 (NA T/227/2419).
  34. *Family Endowment. Memorandum by the Minister Without Portfolio*, C(66)159, 11 November 1966 (NA CAB/129/127/18). Also Cabinet Conclusions 23 February 1967 (NA T/227/2419).
  35. *Family Endowment. Memorandum by the Minister of Social Security*, C(66)157, 11 November 1966, para. 3 (NA CAB/129/127/16).
  36. The Treasury, for example, had in ‘principle...always thought that this [abolishing universal FA and replacing it with a selective system] would be attractive’ (*Family Endowment*, Phelps to Rampton (Treasury), 30 November 1966, NA T/227/2242). The Treasury thought such a development could be justified on the grounds that ‘within the resources available, we should...be able to make a much bigger impact on the problem of family poverty by abolishing universal family advances and substituting a selective system’ (Note from Rampton to Armstrong (Treasury), 5 January 1966, NA T/227/2242).
  37. *Family Endowment. Memorandum by the Chancellor of the Exchequer and Minister Without Portfolio*, C(67)17, 17 February 1967, para. 5 (NA CAB/129/128/17).
  38. *Ibid.*, para. 4.
  39. The ideas included a tax free FA; developing FA so that it was fully clawed back; a childcare wage; paying supplementary benefit to people in full-time paid work; a child tax credit; a negative income tax; and a housing allowance linked to rate rebates. (NA BN/89/149, NA CAB/152/87, NA T/227/2617)
  40. In December 1968 Stephen Swingler (Minister of State for Social Services), for example, wrote to Barbara Castle (Secretary of State for Employment): ‘As you know, our predecessors made substantial increases in the supplementary benefit scales, which now stand in real value more than 20% above the level of the assistance scales in 1964. The result is... that many wage-earners today would be better off on supplementary benefit than they are on their present wages.... From various quarters... I am getting evidence of fellows working themselves out of jobs in order to be able to draw supplementary benefit’ (13 December 1968, NA BN/89/148). Furthermore, the Treasury noted that

'there are two main objectives of the present scheme of Family Allowances: to reduce the extent of poverty, and to provide an incentive to work by maintaining a difference between a family's income while the father is in work and their income when he is out of work' (FS(69)7, para. 2, 17 April 1969, NA CAB/152/87). In this sense, Beveridge's view of children's allowances acting as an incentive to work continued. Indeed, the Treasury noted that an increase in children's additions in social security benefits had 'no particular attractions and would reduce the effectiveness of family allowances in meeting Beveridge's objectives of preserving a differential between a man's income in and out of work' (*ibid.*, also *Benefits for Children. Memorandum by the Department of Health and Social Security*, FS(69)3, NA CAB/152/87).

41. This meant a selective approach was necessary. For the then Chancellor of the Exchequer, Roy Jenkins, clawback was 'a most important opening of the door to selectivity in a civilised and acceptable form'. In 1969 he hoped 'to introduce full selectivity for family allowances and to do it in such a way that people who are not in real need of them do not get them at all' (House of Commons Debates, 17 January 1968, col. 1800). While Jenkins continued to want a selective approach, by September 1968 he 'felt very chary about proceeding with [his January 1968] commitment, in view of the unpopularity and evident misunderstanding of the clawback arrangement' (*Note of a Meeting Held in the Chancellor of the Exchequer's Room, Treasury Chambers*, 16 September 1968, para. 41, NA IR/40/18689/3). The public's concern with clawback though, may have been overstated. Richard Crossman, for instance, wrote to Jenkins later in 1968 that a DHSS survey of the public on 'certain aspects of social security suggests ... clawback is more generally understood than had seemed likely ... roughly half the electorate accept clawback as a fair principle' (16 December 1968, p. 2, NA BN/89/148).
42. *Family Allowances, Report by a Group of Treasury and Inland Revenue Officials*, no date (NA T/227/2614).
43. <http://www.conservative-party.net/manifestos/1970/1970-conservative-manifesto.shtml> (accessed 10 March, 2014).
44. *Ibid.*
45. *Family Endowment. Memorandum by the Chancellor of the Exchequer and the Minister Without Portfolio*, C(67)17, 17 February 1967 (NA CAB/129/128/17).
46. The main criticisms that Crossman had of FIS were: that it would not bring applicants up to the supplementary benefit level; that it would not help all those earning low wages; and that it would 'produce an enormous number of anomalies and difficulties of information apart from creating a new State definition of poverty by saying, "This is the level at which we permit people to live"' (House of Commons Debates, 1970a, col. 255).
47. *Family Endowment. Memorandum by the Chancellor of the Exchequer and the Minister Without Portfolio*, C(67)17, 17 February 1967 (NA CAB/129/128/17). By July 1967 Callaghan's preference was for a means-tested housing allowance whereby: 'Families with one child or more with incomes at or below the qualifying level would get actual "rent" (i.e. rent and rates or in the case of the owner-occupier, equivalent outgoings) or 30s, a week whichever was higher' (*Family Endowment. Memorandum by the Chancellor of the Exchequer*, C(67)128, 16 July 1967, NA CAB/129/132/8).
48. Letter from Abbott to the Permanent Under Secretary (Sir Clifford Jarrett), DHSS, 22 January 1969, p. 1 (NA AST/36/227).
49. Letter from Crossman to Jenkins, 16 December 1968, p. 1 (NA BN/89/148).
50. *Ibid.*
51. Letter from Jenkins to Crossman, 14 January 1969, (NA BN/89/148).
52. *Working Group on Family Support. Memorandum by the Minister of State, Department of Health and Social Security*, 15 May 1970 (NA T/227/2418).
53. *Means Tested Benefit*, paper by Menner (DHSS), May 1970, para. 2 (NA AST/44/1).
54. *Ibid.*, para. 1.
55. *Note by Mr Turner on Means-Tested Benefits*, n.d. (but between 20 May and 11 June 1970), p. 1 (NA AST/44/1).
56. *Ibid.*

57. *Means Tested Benefits*, note Hale to Stacpoole, DHSS, 11 June 1970, para. 4 (NA AST/44/1).
58. *Means Tested Benefit*, paper by Menner (DHSS), May 1970, para. 4 (NA AST/44/1).
59. *Ibid.*
60. *Ibid.*, para. 5.
61. *Note by Mr Turner on Means-Tested Benefits*, n.d. (but between 20 May and 11 June 1970), p. 2 (NA AST/44/1).
62. *Means Tested Benefits*, note from Hale to Stacpoole, DHSS, 11 June 1970, para. 4 (NA AST/44/1).
63. Hale's note to Stacpoole notes a caseload of 94,000 (para. 6) (NA AST/44/1). According to Denham and McDonald (1996, Table 2) there were 578,774 administratively defined unemployed people in June 1970.
64. *Means Tested Benefits* (1<sup>st</sup> draft), paper by Menner, DHSS, 15 May 1970, para. 13 (NA AST/44/1).
65. *Means Tested Benefits*, note from Hale to Stacpoole, DHSS, 11 June 1970, para. 5 (NA AST/44/1).
66. *Selectivity and Means Testing in the Family Support Field*, 30 June 1970, para. 4 (NA AST/44/1).
67. *Ibid.*
68. Letter Crossman to Jenkins, 16 December 1968 (NA BN/89/148).
69. *Notes of a Meeting on Family Allowances*, 9 July 1970, p. 1 (NA AST/44/1).
70. Note from Caldwell to Wendt, DHSS, 16 July 1970, p. 1 (NA AST/44/1).
71. *Family Endowment*, SS(66) 27, para. 66(i) (NA CAB/134/3280).
72. Field (1982) explains that the CPAG's 1970 campaign, 'The poor get poorer under Labour' was based upon the notion of an incomes policy for families to which a substantial increase in FA was central.
73. *Twelve Month Award for Family Income Supplement and Free Welfare Milk. Memorandum by the Secretary of State for Social Services*, 27 October 1972, para. 2 (NA LAB/112/36).
74. *Ibid.*
75. *Ibid.*, para. 4.
76. *Ibid.*, para. 1.
77. Cited in *Tax Credit Scheme*, paper for a ministerial briefing, April 1982 (NA T/470/50).
78. So, for instance, in discussions of the possibility of introducing a unified benefit to replace both SB and FIS as a consequence of the 1976–78 Review of Supplementary Benefit, it was noted that FIS was 'not respectable for ministers' and that they would not wish to 'institutionalise' it though a replacement benefit for both it and SB (note by Frank Sutton, 2 February, 1979, NA AST/44/78).
79. <http://www.conservative-party.net/manifestos/1979/1979-conservative-manifesto.shtml> (accessed 3 November 2014).
80. This principle had to be fought for. The initial proposal in the Family Allowances Bill 1945 was, in the case of married couples living together, that FA would 'belong to the man but that either the man or his wife may draw the allowance' (Clauses 4 (1) and (2)). Consistent with her arguments in *The Disinherited Family* (Rathbone, 1924), Eleanor Rathbone told parliament that the bill 'treats the wife as a mere appendage, which literally means a hanger on' (House of Commons Debates, 1945b, col. 2276). As we saw in Chapter 5, Rathbone rejected the idea of the family wage because of the way in which it defined wives as being parasitic. However, the fact FA was to belong to fathers, Rathbone argued, would merely entrench this view by placing all familial income in the hands of men. At a time when discussion of FA had shifted to focus upon the need for post-WWII population growth, Rathbone argued that this was problematic because it gave wives 'a very strong motive for going out to work, however much the children under her care require her presence, because then her wages will be legally her own, rather than continuing at home to bear more children' (*ibid.*). While such comments from contemporary eyes look to be restricting the lives of women to private and public

patriarchy, her arguments reflected her early ideas of an 'endowment for motherhood', which she believed, by paying women for their work as mothers and wives, would lead to greater equality (Pedersen, 1993; Misra, 1998). After a free vote at the committee stage of the bill it was agreed that mothers should receive FA.

81. Internal note, Ministry of Social Security, 2 June 1966, p. 1 (NA AST/7/1943).
82. *Supplementary Family Allowances. Payment to the father or Mother*, 31 July 1970, para. 1 (NA AST/44/1).
83. The view, particularly of the Inland Revenue and the Chancellor of the Exchequer, was that 'many husbands would be dissatisfied' with give and take as they 'would find less in their pay packet because they had extra tax to pay'. Husbands, it was insisted, 'would not be satisfied to be told that their wife would get extra money from the Post Office' (*Family Allowances. Note by the Board of the Inland Revenue*, p. 2, May 1967, NA T/227/2427. See also *Family Endowment. Note by the Chancellor of the Exchequer*, December 1966, NAT/227/2242).
84. *Consequences of Husbands' Higher P.A.Y.E. Deductions and Wives' Higher Allowances*, para. 2(b), November 1966 (NA AST/7/1930).
85. *Supplementary Family Allowances. Payment to the Mother or Father*, para. 10, 31 July 1970 (NA AST/44/1).
86. Rathbone, for instance, told Parliament (House of Commons Debates, 1945b, col. 2278) that: 'The great majority of fathers are, no doubt, kindly, responsible men... But suppose we consider the proportion of husbands in the case of whom difficulty may arise... among the minority will be greedy or selfish men who will hold on to the money. The wife is allowed, under the Bill, to draw it, but obviously only if the man consents, because the order comes to him, and it belongs to him, so that he will hold on to it if he wants to do so.'
87. *Consequences of Husbands' Higher P.A.Y.E. Deductions and Wives' Higher Allowances*, para. 2(c), November 1966 (NA AST/7/1930).
88. *Supplementary Family Allowances. Payment to the Mother or Father*, para. 10, 31 July 1970 (NA AST/44/1).
89. *Child Tax Credits. Payment to Fathers or Mothers – II. Family Financial Relationships. Note by the Ministry of Social Security*, para. 2, 7 October 1968 (NA T/227/2617).
90. *Supplementary Family Allowances. Payment to the Mother or Father*, para. 10, 31 July 1970 (NA AST/44/1).
91. Although this view was not held by all between 1966 and 1971. So, for example, some officials within the Treasury were not convinced by the 'main social objection' to replacing universal FA with a selective scheme 'that the mother would no longer receive any money direct except in the worst off families'. Such an objection, it was argued could be rejected on the grounds that FA did not allow women to be free from dependency upon their husbands: 'no-one can keep a family on the family allowance alone, so that a mother is in any case dependent on her husband's parting with some of his earnings'. If there was a problem of 'inadequate housekeeping allowance' this was held to be 'most frequently found in the poorer families, and here the mother's position would be improved' by the selective scheme (Internal Treasury note, 2 December 1966, p. 2, NA T/227/2242).
92. *Child Tax Credits. Report by a Working Party of Officials of H.M. Treasury, Inland Revenue, the Department of Health & Social Security and the Department of Employment and Productivity*, November 1968, p. 13 (NA T/227/2617).
93. *A Means-Tested Supplement to Family Allowances. Note by the Ministry of Pensions and National Insurance and the National Assistance Board*, para. 29, May 1966 (NA AST/7/1943).
94. For instance, *Family Endowment. Consequences of Husbands' Higher P.A.Y.E. Deductions and Wives' Higher Allowances*, para. 2(a), November 1966 (NA AST/7/1930); *Family Endowment: Possible Schemes of Means-Tested Supplementation. Note by the Ministry of Social Security, S.S.(C)(66)27*, para. 3, 16 August 1966 (NA BN/89/143). Although there

did not seem to be agreement on this point, for it was also argued about give and take schemes that, provided the CBI and TUC understood them, there was no reason to expect that they would lead to higher wage demands (because of the increased income tax of male earners). In contrast, they 'ought to be of some help in limiting wage increases' (*Family Endowment. Consequences of Husbands' Higher P.A.Y.E. Deductions and Wives' Higher Allowances*, para. 2(a), November 1966, NA AST/7/1930).

95. *Selectivity or Means Testing in the Family Support Field*, 30 June 1970, p. 2 (NA AST/44/1).
96. *FAM*, 3 July 1970, p. 1 (NA AST/44/1). While it is noted that a paper was to be written about this subject, it was not contained in files examined.
97. *Child Tax Credits. Payment to Fathers or Mothers – II. Family Financial Relationships. Note by the Ministry of Social Security*, para. 4(b), 7 October 1968 (NA T/227/2617)

## 7 Family Credit, Wage Suppression and the 'Think Tank'

1. DHSS, *Social Security Review*, paper for MISC 111 meeting, February 1984, p. 40 (NA BN/133/198).
2. <http://www.conservative-party.net/manifestos/1979/1979-conservative-manifesto.shtml> (accessed 3 November 2014).
3. *Ibid.*
4. As one official put it, 'Cock Robin [was] dying but not dead' (Note, Inland Revenue to DHSS, 1 April 1982, p. 1, NA T/470/49). This position was also taken in the 1986 Green Paper, *The Reform of Personal Taxation*, in which it was argued that tax/benefit integration was not 'an overriding objective in its own right' (Chancellor of the Exchequer, 1986, para. 6.10).
5. In discussions of the possibility of developing potential benefits for wage workless people it was argued that the aim should be to 'facilitate, not hinder, movement into part-time employment' (*Benefits for Unemployed People – Draft*, 10 February 1982, p. 1, NA BN/82/327), while in a different possibility it was argued that 'the main point of reducing the qualifying hours [for FIS from 24 to 16] ... would be to contribute to the aim of changing people's work patterns. The hope would be that parents who are not working would take a job with an employer or become self-employed for a minimum of 16 hours per week' (*Review of Benefits for Unemployed People. Qualifying Hours for Family Income Supplement (FIS)*, December 1981, BN/82/327).
6. The deliberations of the Work Incentives and Income Compression group can be found in NA BN/89/386, NA BN 89/386/87, NA PIN/7/957, NA T/227/3567, NA T/227/3568, NA T/227/3680, NA T/227/3745 and NA T/227/3746.
7. The work of the Official Group on Tax and Social Security can be found in files NA BN/88/305/1, NA BN/88/305/2, NA BN/120/42, NA T/336/772 and NA T/336/773.
8. The work of this group is mainly in NA T/366/752.
9. Material from the Oglesby group on partial benefits can be found in NA BN/82/327, NA BN/149/20 and NA PIN/7/929.
10. The preparatory work for officials and DHSS ministers appearing in front of the Meacher Committee can be found in the following files: NA BN/82/325/1, NA BN/82/325/2, NA BN/89/393/1, NA BN/89/393/2, NA BN/89/394, NA BN/89/395, NA BN/89/396, NA BN/89/397, NA T/470/49, NA T/470/50, NA T/470/51, T/470/52, NA T/470/53 and NA T/470/132.
11. Cover note to the Joint Submission of the Treasury, DHSS and Inland Revenue to the Treasury and Civil Services Sub-Committee inquiry into the structure of personal taxation and income support, May 1982, para. 5 (NA T/470/51).
12. Howell was in frequent contact with various members of the cabinet, including the Prime Minister and Chancellor of the Exchequer. While, for example, Geoffrey Howe (Chancellor of the Exchequer) was 'acutely aware' of the issues raised by Howell (letter from Howe to Howell, 3 August 1980, T/366/655), there was also some exasperation at

the relentlessness with which Howell raised the issue and what was seen as his partial analysis of the costs of his proposals (letter, Adam Ridley, Special Adviser to Howe, to Geoffrey Howe, 14 August 1980, NA BN T/366/655).

13. Evidence from the CPAG, LPU and TUC to the Treasury and Civil Service Sub-Committee's investigation into taxation and income support is available in NA BN/89/395, NA BN/89/396 and NA T/470/53. In particular, the CPAG and the LPU were caught in a contradiction between arguing that the benefit system had little effect upon labour market behaviour of individuals and arguing that there was a need to address the poverty and unemployment traps.
14. The idea of merging FIS and SB was not new in the early 1980s. It had been considered as part of the 1976–78 review of SB. The review did not recommend replacing the two with a single benefit due to a number of administrative, fiscal and political reasons. These included: the different rules and qualifying criteria of the two benefits; their different means-tests; that their merger would lead to higher direct and administrative costs; and the Labour Party government's dislike of FIS (*An Income Support Scheme for People In and Out of Work. Relationship Between SB and FIS*, NA AST/44/78).
15. *Future of Family Income Supplement*, NA BN/107/221.
16. The interim report is available in NA CAB/184/609 and the final report in NA CAB/184/610.
17. Letter from the CPRS to the Treasury, 29 January 1981 (NA T/473/46).
18. *Central Policy Review Staff Report on Unemployment*, September 1982 p. 12 (NA CAB/184/610).
19. *Ibid.*, para. 2.12a–2.12c.
20. *Ibid.*, para. 2.13.
21. *Ibid.*, para. 2.16.
22. *Ibid.*, para. 2.16b.
23. *Ibid.*, para. 2.18.
24. *Ibid.*, paras. 2.18b–2.18f.
25. *Ibid.*, para. 2.18g.
26. *Ibid.*
27. *Ibid.*
28. *CPRS Unemployment Study. Interim Report*, March 1982, NA CAB/184/609.
29. *Central Policy Review Staff Report on Unemployment*, September 1982, para. 3.15 (NA CAB/184/610).
30. *Ibid.*, para. 4.10.
31. *Ibid.*, para. 4.11.
32. *Ibid.*, para. 4.14.
33. *Ibid.*
34. So, for example, comments of Patrick Nicholls, Parliamentary Under-Secretary of State for Employment, House of Commons Debates, 1989, col. 387; also Forrest, 1984).
35. *Central Policy Review Staff Report on Unemployment*, September 1982, para. 4.15 (NA CAB/184/610).
36. *Ibid.*, para. 4.17
37. *Ibid.*, para. 4.19.
38. The report, for example, argued that people paid too much of their wages (30%) in personal taxation at too low a level of earnings (a third of average earnings) and that this compared poorly to France, Germany and the USA where it was not paid until earnings were between 120 and 260 per cent of the average (*ibid.*, para. 7.09c).
39. *Ibid.*, para. 7.10.
40. *Ibid.*
41. *Ibid.*
42. *Ibid.*, para. 7.11.
43. *Ibid.*
44. *Ibid.*, para. 7.22.

45. Note from Whiteley to Moyes, 30 September 1982, p. 1 (NA BN/107/262).
46. Evidence related to living standards suggested that from the late 1970s wage workless people, especially those who were long-term wage workless, faced severe financial hardship (for example, DHSS, 1978, para. 1.6; Brown, 1990 for discussion), although following the abolition of the wage stop in 1975, benefit levels relative to wages was of both policy and popular concern, which Brown (1990, p. 67) argues, 'foreshadowed a continuing influence of low pay in social security benefit rates'.
47. Note from Whiteley to Moyes, 30 September 1982, p. 1 (NA BN/107/262).
48. DHSS, *Summary of CPRS Report with Commentary*, p. 5, 14 October 1982 (NA BN/107/262).
49. *Ibid.*
50. Note Ryrrie to Burns, HM Treasury, p. 1, 1 April 1982 (NA T/473/46).
51. *Ibid.*, p. 2.
52. The influence of Minford's analysis (for example, Minford, 1981) of the role of trade unions and social security benefits in causing wages rigidities is particularly visible in the *Interim Report* (see note from Robin Ibbs, then Director of the CPRS to the Prime Minister, 26 March 1982, NA T/473/46). There was some concern about the influence of Minford's work in the CPRS's analysis, with it being recognised that the 'main burden', at least of the *Interim report*, could be that 'Minfordism is not enough' (*CPRS Study on Unemployment*, HM Treasury, 22 March 1982, para. 3). Reference to Minford's work was toned down in the final report, but his views on social security benefits and trade unions remained central to the report's analysis and suggestions for future policies.
53. *Central Policy Review Staff Report on Unemployment*, September 1982, para. 6.3 (NA CAB/184/610).
54. *Note for Record. Follow-up to CPRS Unemployment Strategy: Meeting with Mr Ferdinand Mount*, 13 October 1982, p. 1 (NA BN/107/262).
55. *Ibid.*
56. *Ibid.*
57. *Ibid.*, p. 2.
58. Letter, DHSS to Inland Revenue, 15 December 1982, pp. 1–2 (NA BN/110/45).
59. Lording to Hepple, internal note DHSS, 8 December 1982, p. 1 (NA BN/110/45).
60. *Ibid.*
61. *Child Support*, February 1982, para. 2 (NA BN/110/45).
62. *Child Support*, February 1982, para. 4 (NA BN/110/45).
63. Private Secretary to Geoffrey Howe to Private Secretary of Norman Fowler, 16 February 1983, p. 1 (NA BN/110/45).
64. *Ibid.*
65. *Background Paper for the [Family Policy] Group's Work*, November 1982, para. 3 (NA BN/110/45).
66. Discussions of tax/spending churning are found in NA BN/110/60 and NA BN/133/53.
67. Private Secretary of the Prime Minister to Norman Fowler's Private Secretary, 16 February 1983, pp. 1–2 (NA BN/110/45).
68. Internal memo, DHSS, 24 January 1984 (NA BN/133/53).
69. *Child Support*, February 1982, para. 4 (NA BN/110/45).
70. Private Secretary of Prime Minister to Norman Fowler's Private Secretary, 28 March 1983 (NA BN/110/45).
71. The number of FIS recipients doubled from 89,000 in September 1980 to 182,000 in March 1983, *FIS. Explanations for the Increase in Numbers*, September 1983 (NA AST/44/155).
72. It received, for example, 4,500 written pieces of evidence and took oral evidence from 62 organisations and individuals in nineteen hearings (Fowler, in House of Commons Debates, 1985a, col. 34).
73. With the exception of the Housing Benefit Review, the review teams were led by a Minister from the DHSS. In addition to the CYPR and the Housing Benefit Review, there were two other reviews, one of the SB system and an investigation into pensions.

74. According to Fowler (1991, p. 209), the Chancellor of the Exchequer (then Nigel Lawson) was 'not prepared' for the social security reviews 'to contemplate any examination of the tax system'.
75. The IoD wanted CHB replaced by provision for children in the taxation system (i.e. child tax allowances) (*Submission to the Review of Benefits for Children and Young People*, July 1984, para. 43 NA BN/133/126). This was part of its wider purpose of 'reduc[ing] both government expenditure and the tax burden' (*ibid.*, para. 11), for abolishing CHB and replacing it with a child tax allowance would reduce expenditure and, for families with dependent children, reduce the amount of tax they paid.
76. *Review of Benefits for Children and Young People. Consultation Document*, May 1984, p. 1 (NA BN/107/263/1).
77. *Ibid.*, p. 2.
78. *Removal of Families from Family Income Supplement by Additional Expenditure on Child Benefit. Note by the Department of Health and Social Security*, no date, but post-November 1982 uprating, NA BN/89/359/1.
79. So, for example, abolishing the married man's tax allowance was mentioned by several contributors of evidence to the CYPR as a means of raising a relatively large sum of money (estimated at £3.6 billion) to fund social security developments (evidence of Peter Townsend to the CYPR team, NA BN/133/9/1; for a more nuanced approach, see Joan Brown's evidence for the Policy Studies Institute, NA BN/133/16/2). Such arguments, however, seemed to ignore the fact that funding social security developments from increases in taxation would still appear on the national accounts as an increase in spending, which the Fowler Reviews wanted to avoid.
80. *Review of Benefits for Children and Young People. Note of Second Meeting*, 4 June 1984, para. 3.3 (NA BN/133/6).
81. *Review of Benefits for Children and Young People. Note of Third Meeting*, 11 June 1984, para. 3.3 (NA BN/133/6).
82. Internal memo DHSS, 20 August 1984 (NA BN/133/13).
83. Comments of Sir Rhodes Boyson, *Review of Benefits for Children and Young People. Note of Sixth Meeting*, 2 July 1984, para. 3.3 (NA BN/133/6).
84. *Review of Benefits for Children and Young People. Objectives for Family Income Supplement*, CYPR (40), June 1984, para. 4 (NA BN/133/7).
85. *Ibid.*
86. *Ibid.*, para. 5.
87. So, for example, in Conservative Chancellor of the Exchequer, George Osborne's 2015 summer budget, it was argued that the restriction of tax credits to two children, not matter if a household has more than that number, and the lowering of the 'benefit cap' was 'fair' to taxpayers and wage workers who could not be expected to pay for lifestyles and rents that they themselves could not afford. (<http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm150708/debtext/150708-0001.htm#15070837000005>, accessed 21 July 2015).
88. *Review of Benefits for Children and Young People. Objectives for Family Income Supplement*, CYPR (40), June 1984, para. 6 (NA BN/133/7).
89. *Review of Benefits for Children and Young People. Family Income Supplement: Options for Change*, CYPR (41), June 1984, para. 25(i) (NA BN/133/7).
90. *Ibid.*, para. 7.
91. For an outline of the lineage see *Review of Benefits for Children and Young People. Family Income Supplement: Current Policy Issues*, CYPR (43) (NA BN/133/7).
92. *Review of Benefits for Children and Young People. Note of Sixth Meeting*, 2 July 1984, para. 3.4a (NA BN/133/6).
93. Peter Townsend, for instance, noted how 'Keynes was one of the first to recognise the value of child benefit in limiting the scope of claims for wage or salary increases'. Townsend went on: 'The more effective are the functions of child benefit in contributing to the needs of children, the less the circumstances of additions to be made to that wage or salary irrespective of the number of workers at issue who actually

- have children' (*Review of Benefits for Children and Young People. Written Evidence*, Peter Townsend, NA BN/133/91). Townsend was pointing to the lineage of CHB that can be traced to Eleanor Rathbone's feminist-inspired argument about the potential role of FA in addressing wage inequities between men and women. While for Rathbone (1924) FAs were a means of reducing the male claim for a family wage, for more orthodox economists it was a means of removing children from such wage claims.
94. DHSS, *Social Security Review, MISC 111 paper, Second Draft*, para. 3, 25 January 1985, Appendix 4 (NA BN/133/102).
  95. DHSS, *Social security Review*, paper for MISC 111 meeting, February 1984, p. 40 (NA BN/133/198).
  96. *Review of Benefits for Children and Young People. Summary of Options Considered and Conclusions* (CYPR 169), para. 13 (NA BN/133/17).
  97. *Briefing for MISC 111 – 6 February 1985. Social Security Review Proposals*, flag N (NA BN/133/197).
  98. DHSS, *Social Security Review*, paper for the MISC 111 meeting February 1984, p. 43 (BN/133/198).
  99. *Ibid.*, p. 13
  100. *Review of Benefits for Children and Young People. Children Under 16: Summary of Review Progress* (CYPR 166), p. 2 (NA BN/133/8).
  101. *Social Security Review: January Week. Session 11 (10–11 January): Review of Conclusions*, p. 3 (NA BN/133/199).
  102. *Briefing for MISC 111 – 6 February 1985. Social Security Review Proposals*, flag N (NA BN/133/197).
  103. *Review of Benefits for Children and Young People. Summary of Options* (CYPR 169), para. 15 (NA BN/133/17).
  104. *Briefing for MISC 111 – 6 February 1985. Social Security Review Proposals*, flag N (NA BN/133/197).
  105. *Ibid.*
  106. For example, *Review of Benefits for Children and Young People. Family Credit Scheme: Payment Via Employers* (CYPR 163), December 1984 (NA BN/133/8), *Review of Benefits for Children and Young People. Summary of Options Considered and Conclusions* (CYPR 169), December 1984 (NA BN/133/17).
  107. *Response to the Green Paper. Family Credit*, p. 3 (NA BN/133/220).
  108. *Ibid.*, p. 1
  109. *Ibid.*
  110. *Reform of Social Security. Institute of Directors Comments on the Green Paper Cmnd. 9517–9520*, para. 42 (NA BN/133/122).
  111. *Submission to the Review of Benefits for Children and Young People*, July 1984, para. 15 (NA BN/133/126).
  112. For example, members of the Labour opposition (Frank Field MP and Jo Richardson MP, House of Commons Debates, 1986b, cols. 865 and 872) and the Social Democratic opposition (for example, Charles Kennedy MP, House of Commons Debates, 1985a, col. 49). Also, a broad range of interest groups, such as the National Federation of Women's Institutes, the National Council of Women of Great Britain and the National Association of Citizens Advice Bureau (see summary of the arguments of these groups presented to parliament by Robin Squire MP, House of Commons Debates, 1986a, col. 136).

## 8 Tax Credits, Wage Worklessness and Child Poverty

1. Rodney Bickerstaffe, General Secretary of the trade union, UNISON, *The Guardian*, 29 March 1999.

2. The reduction in qualifying hours for FC applied to lone mother headed and couple households.
3. Then the main out of wage work benefit for lone mothers with dependent children.
4. Following the International Classification of Impairments, Disabilities and Handicaps disability was defined as 'any restriction or lack (resulting from an impairment) of ability to perform an activity in the manner or within the range considered normal for a human being' (Secretary of State for Social Security and Minister of State for Social Security and the Disabled, 1990, p. 14).
5. *Case Study of Partial Benefits*, internal DHSS note, 26 November 1981 (NA BN/82/326).
6. This is not to argue that the wages of single people had not been supplemented before the 1990s. Policies related to the boarding out of young people from workhouses and public assistance institutions so that they could take up wage work demonstrate that this was not the case. Where the wages of such young people were held to be inadequate for their needs they were often supplemented by local relief authorities to enable them to live independently and maintain their employment. The following is a typical example from Lancashire PAC. A 20-year-old orphan: 'has been maintained in the Working Boy's House, Liverpool since June 1931 and his wages have been supplemented by the PAC to cover the cost of maintenance. He was previously maintained for a number of years in the Fazackerley Cottage Homes, Liverpool. The boy is an apprentice ship's plumber... and earns 16s 6d per week. A home has been found for him... and an enquiry has been received from Liverpool County Borough Council asking whether the PAC will grant him a supplementary allowance of 6s per week. This will allow him 16s 6d per week for board and lodgings, 2s 6d pocket money, 2s 6d for the renewal of clothing and 1s towards travelling expenses. He is expected to become self-supporting in March next. Your [Central Relief] Sub-Committee recommend the allowance of 6s per week be made.' (Lancashire PAC, *Proceeding*, 30 November 1936, p. 23, LRO CC/PAM/11).
7. In considering the introduction of a partial benefit for people in part-time work in the early 1980s, for instance, it was estimated that 'a majority, perhaps a substantial majority of long-term unemployed people without children... would be as well or better off in part-time work without any social security supplement than on supplementary benefit' (*Case Study of Partial Benefits*, internal DHSS note, 26 November 1981, p. 1, NA BN/82/326).
8. For example, the Youth Opportunities Scheme, Youth Training Scheme, Youth Training and the New Deal for Young People.
9. For instance, the Young Workers Scheme and New Workers Scheme and the New Deal for Young People.
10. For example, Donald Dewar MP, then Shadow Secretary of State for Social Security, House of Commons Debates, 1994, col. 1210, Neil Kinnock, then Leader of the Labour Party, House of Commons Debates, 1985b, col. 203.
11. For instance, Denis MacShane MP, House of Commons Debates, 1995, col. 888.
12. <http://www.labour-party.org.uk/manifestos/1997/1997-labour-manifesto.shtml> (accessed 18 January 2015).
13. Although Taylor was not consistent in this. He noted, for instance, that the introduction of a tax credit for low-paid wage workers was 'likely to come in useful in future as a broader delivery mechanism, eventually allowing a closer integration between the benefit system and conventional income tax' (Taylor, 1998, para. 1.22).
14. Taylor was commissioned in May 1997. His final report (Taylor, 1998) was published as part of the documents of the 1998 Budget.
15. A payment made to people over the age of 50 if they entered work after receiving out of wage work benefits for at least six months. A payment was made at £60 per week for a job of at least thirty hours a week and £40 per week for a part-time job of between sixteen and twenty-nine hours a week. The payments were made for a maximum of 52 weeks. It was replaced by the 50-plus element in WTC.

16. The children's tax credit, was introduced from April 2001, as 'the first recognition of children in the tax system in a generation' (Gordon Brown MP, House of Commons Debates, 2001a, col. 835).
17. It was also pointed out that the introduction of CTC as a separate payment for children from that of JSA for wage workless people could also lead to greater disciplinary potential within the social security system (see, for example, evidence of Martin Barnes, then Director of the CPAG to the Social Security Committee, 2001, Barnes and Fimister, 2001). Such views were not lost on the Labour governments of the 1990s and 2000s, which were unceasing in their determination to 'clamp down on the work-shy' and to end the 'something for nothing welfare state' (Education and Employment Committee and Social Security Committee, 1999, para. 19). The possibilities for doing this through the development of the CTC were recognised by senior civil servants. So, for example, in evidence to the Social Security Committee (2001, questions 289–290) the following exchange took place between Committee member Edward Leigh MP and Nick MacPherson, then Director of Welfare Reform at the Inland Revenue: 'Q.289: [Mr Leigh] Would ring-fencing support for children open the door to you being able to take a more rigorous line against work shy people? Would it make it easier to bring in a Workfare type system because you are ring-fencing the support for children? (MacPherson) Clearly there are some issues around rights and responsibilities. I think this is an interesting issue in that if you are requiring people to look for work, how do you implement that requirement, and this is something which I think we should definitely look at. In fact, the way the existing system works, as I understand it, is if you do get sanctioned and you are on benefit, on the whole the child payment is protected and it is only the adult bit that is sanctioned. This clearly gives the issue a higher profile. Given that this happens already you are talking about presentation. Q. 290. [Mr Leigh] You say that this gives this issue a higher profile; in plain English that means it is easy to do, does it? (MacPherson) What I am saying is that if you have got a clearly identified adult component and a clearly identified child component then, broadly, yes'.
18. Flight had been a member of several economically liberal think tanks and in November 2010 caused controversy when he was reported as linking changes to CHB (the clawing back of its value via the tax system from households with at least one higher rate PAYE tax payer) to concerns with social class dimensions of having children. He argued that such a development would mean Britain was 'going to have a system where the middle classes are discouraged from breeding because its jolly expensive, but for those on benefits there is every incentive... Well that's not very sensible' (*London Evening Standard*, 25 November 2010).
19. According to the International Labour Organization's (ILO) definition of unemployment there were 2.1 million unemployed people in March–May 1997, although this was 0.3 million fewer than in the same months in the previous year (National Statistics, 2001).
20. The term undervalued labour, rather than unskilled, is used to denote the fact that the wages-as-price approach undervalues the skills that many, so-called, unskilled workers have.
21. Although Taylor's (1998, para. 3.25) preference was for the payment of wage supplements via the pay packet, he did see the potential for a choice, allowing mothers to receive tax credits if payment to the breadwinner in couple households was 'seen as a problem'.
22. [http://www.news.bbc.co.uk/1/hi/uk\\_politics/4003959.htm](http://www.news.bbc.co.uk/1/hi/uk_politics/4003959.htm) (accessed 22 January 2015).
23. OPB was a non-contributory and non-means-tested benefit paid to lone mothers in addition to CHB. It was introduced in 1976 as a consequence of the Finer Committee's (DHSS, 1974) concern with the poverty faced by lone mother headed families (see Millar, 1996, Smith, 1999).
24. <http://www.publications.parliament.uk/pa/cm200304/cmselect/cmworpen/85/85we45.htm> (accessed 23 January 2015).

25. As the leader of the Conservative Party government elected in July 2015 Cameron oversaw the replacement of the measures and targets contained in the Child Poverty Act 2010 by 'a statutory duty to report on measures of worklessness and educational attainment'. Most notably, this meant a loss of the headline measure of poverty related to average incomes. This development was justified by the Secretary of State for Work and Pensions (Iain Duncan Smith) through a critique of the use of a relative measure of poverty related to average income (i.e. that an expanding economy leads to an increase in the number of families living in poverty, and a contracting one leads to a fall, as happened in the 2008/09 economic crisis), and that in practical terms there is often little to distinguish those families who were just above and below the income poverty threshold. However, it was also driven by concerns with the cost of tax credits and an accusation that they had been used by 1997–2010 Labour governments for electoral advantage (see the Secretary of State for Work and Pensions' speech at <http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm150701/debtext/150701-0002.htm>, accessed 15 July 2015). However, it was more likely that the 2010 targets and measures were abolished because of what was to come a week later in the 2015 summer budget. It announced the severe retrenchment of tax credits for people in and out wage work, a move that was rightly highlighted as being one that meant the child poverty targets of the child poverty Act 2010 would be even further out of reach.
26. Although this figure also included CTC paid to families where the adults were wage workless.
27. See, for example, Neil O'Brien's blog, 'Does the "squeezed middle" exist?' for *The Telegraph* (<http://blogs.telegraph.co.uk/news/neilobrien1/100133763/does-the-squeezed-middle-really-exist/>, accessed 3 February 2015).

## 9 Universal Credit: Wage Supplements and Mini-jobs

1. The Conservative Party (2010) noted it would continue to provide tax credits (although it would withdraw them from higher income households) and the Liberal Democrat Party (2010) said that they would 'reform' them without saying how.
2. Duncan Smith was leader of the Conservative Party (2001–03) and later became the coalition government's (2010–15) and Conservative government (from May 2015) Secretary of State for Work and Pensions.
3. Chancellor of the Exchequer's Autumn Statement speech, <https://www.gov.uk/government/speeches/chancellor-george-osbornes-autumn-statement-2014-speech> (accessed 4 March 2015)
4. Working people who are deemed to 'have a severe limitation which creates a significant disability in relation to the labour market, regardless of any adaptation they may make or support with which they may be provided' (DWP, 2009, p. 8) were exempted from these changes.
5. This figure understates the savings made from tax credits as it does not include the changes to the way they, along with out of wage work benefits, were to be uprated from 2012.
6. See, for example, the 'private sector analogy' in *Dynamic Benefits* (EDWG, 2009, pp. 159–60).
7. The 1980s, for instance, were described in *Dynamic Benefits* as being denoted by 'more part time jobs and a greater level of sustained, *life-style* unemployment' (EDWG, 2009, p. 59, emphasis added).
8. Previous to UC, the DWP (2011a) argued that the income threshold for conditionality was set at a level of income replacement benefits for wage workless people because nothing was expected of those people who received tax credits to work full-time hours. While this was the case, there was concern in 1997–2010 Labour Party governments with people being stuck on the lower rungs of the metaphorical earnings ladder. It,

therefore, introduced Employment, Retention and Advancement Demonstration Projects 'to encourage human capital development by supporting and creating incentives for training among low-wage workers' (Hendra *et al.*, 2011, p. 4).

9. This sentence was included in the first *Equality Impact Assessment* of UC (March 2011), but was removed in its update of November 2011, where it was acknowledged that 'there is a risk of decreased work incentives for second earners in couples (primarily women)' (DWP, 2011e, para. 68).

## 10 Minimum and Living Wages: Alternatives to Wage Supplements?

1. [http://www.policy-network.net/pno\\_detail.aspx?ID=3998&title=The+institutional+foundations+of+middle-class+democracy](http://www.policy-network.net/pno_detail.aspx?ID=3998&title=The+institutional+foundations+of+middle-class+democracy) (accessed 23 March 2015).
2. *Ibid.*
3. The ordinance did not include prescribed wages, nor the machinery for dealing with people paying more than the relevant pre-plague wage. In contrast, the Statute of Labourers of 1351 'set definite wage rates of a variety of specific occupations on a day-work or piece-work basis' (Poos, 1983, p. 30).
4. Cardboard box making, domestic chain making, machine-made lace and finishing trades, and ready-made and wholesale bespoke tailoring.
5. The Cave Committee (Committee Appointed to Enquire into the Working and Effects of the Trade Boards Act, 1922) recommended a return to the Trade Boards Act 1909 so that boards could only be introduced in industries where both an 'unduly low wage prevails...and there is a lack of such organisation among the workers' (*ibid.*, para. 56). Such a move would have effectively abolished the legislation of the Trade Boards (Amendment) Act 1918, which allowed for boards to be introduced in trades where the Minister of Labour 'was of the opinion that no adequate machinery exists for the effective regulation of wages throughout the trade' (*ibid.* para. 8(2)). The 1918 Act had been opposed in the evidence given to the committee by employers, who complained of various adverse impacts upon their ability to trade profitably (*ibid.*, para. 14) and the committee's suggestions were located in a liberal concern with the use of the coercive powers of the state to set wages, as opposed to them being negotiated by interested parties either freely or via powers under the Trade Boards Act 1909. The suggestion of the committee was accepted by the then Conservative Party government, but was lost on the election of a minority Labour Party government in 1924. It then reintroduced wage boards for agriculture, which had been abolished in 1921 (see Chapter 3), but 'the spread of statutory wage-fixing was largely halted' (Blackburn, 2007b, p. 82).
6. Bayliss (1958, pp. 113–4) notes that while trade unions post-WWII viewed 'wages councils and boards [as] useful instruments in trades where they have been too weak to secure effective voluntary collective bargaining', they 'never admitted... wages councils and boards [were] permanent; they have always said that they accept[ed] them as half-way houses to normal collective bargaining'. The Ministry of Labour, in evidence to the Donovan Committee, also noted what should have been the temporary nature of Wages Councils, but also that 'in practice progress in the replacement of Wages Councils has been disappointingly slow' (Royal Commission on Trade Unions and Employers' Associations, 1968, para. 232). Furthermore, that two of the original trade boards still existed as wages councils in the 1970s demonstrates difficulties with the idea that they were temporary in nature (Stevenson, 1980).
7. *A National Minimum Wage*, P.S. (I.P.) (62) 31, para. 1(c), NA EW/8/192.
8. *A National Minimum Wage: Proposed Study*, para. 1(i), NA LAB/10/1820.
9. The first Wilson Labour Party government was elected in October 1964 and set up a Family Endowment Committee, which was itself replaced by the Official Committee on Social Services (see Chapters 5 and 6). It raised problems for the NMW working party because, while rejecting the NMW, it recommended the issue of wage poverty could be

addressed by selective increases in FA. A brief history of the work of the Working Party on a National Minimum Wage can be found in NA LAB/10/2516. Minutes of meetings and draft reports are available in NA EW/8/195, NA LAB/10/1820, NA LAB/10/2149 and NA LAB/111/16.

The final draft is in NA LAB/10/3179, the status of which is explained in a note from the Ministry of Labour to the National Board for Prices and Incomes, 5 October 1966, NA LAB/10/2894.

10. Interest in a NMW had also been expressed in 1966 when the Minister of Labour was invited by the Cabinet to consider such a wage as part of a prices and incomes policy (CC(66) 31<sup>st</sup> Conclusions, NA CAB/128/41). His paper drew from the draft of the unagreed report of the 1964–5 Working Group on a National Minimum Wage. In the summer of 1967 the Prime Minister, Harold Wilson MP, had expressed further interest in the NMW, again as a potential element of prices and incomes policy (letter from Harold Wilson to Ray Gunter, Secretary of State for Labour, 30 August 1967, NA EW/8/192). Minutes of meetings and reports for the working party are contained in NA EW/8/193, NA EW/8/195 and NA LAB/10/3285.
11. *Report of an Inter-Departmental Working Party on a National Minimum Wage*, paras. 10.3 and 10.7, NA BN/72/48.
12. Letter, Roy Jenkins to Barbara Castle, 13 September 1968, p. 1, NA BN/72/48. The advice of the economic advisers (*A National Minimum Wage. Comments by the Economic Advisers on the Report of the Interdepartmental Working Party*) is in NA EW/24/203. The Labour Party's 1964 General Election manifesto noted that as part of 'a charter of rights for all employees' it would, if elected, implement a 'right to equal pay for equal worth' (<http://www.politicsresources.net/area/uk/man/lab64.htm>, accessed 15 July 2015). Mary Davis notes that this commitment was probably a consequence of its desire to join the European Economic Community, whose Treaty of Rome demanded that members have equal pay for women. However, the Wilson government's application was rejected and, Davis argues, that Barbara Castle eventually accepted the case for equal pay to avoid industrial unrest following the 1968 Ford Dagenham sewing machinists strike, and pressure from the National Joint Action Campaign and Committee for Women's Equal Rights (<http://www.unionhistory.info/equalpay/roaddisplay.php?irn=820>, accessed 15 July 2015).
13. CPRS (1982) *CPRS Unemployment Study Interim Report*, para. 48, NA CAB/184/609. The CPRS was in tune with a number of government ministers, for example, John Biffen MP (Chief Secretary to the Treasury), Keith Joseph MP (Secretary of State for Industry), Nigel Lawson (Financial Secretary to the Treasury, and future Chancellor of the Exchequer), John Nott MP (Secretary of State for Trade), (Lord) Thomas Trenchard (Minister of State for Industry). The Prime Minister's Policy Unit also favoured abolition. The main supporter of retaining wages councils, albeit on a modified basis, was Jim Prior MP, Secretary of State for Employment. (NA LAB/112/273 and NA T/377/634 contain correspondence outlining these positions).
14. CPRS (1982) *Report on Unemployment*, para. 6.3, NA CAB/184/610.
15. CPRS (1982) *CPRS Unemployment Study Interim Report*, para. 48, NA CAB/184/609. What was being referred to here was a withdrawal of Britain from a 1928 ILO agreement which committed signatories to having at least some protective measures for low-paid workers (Blackburn, 2007b). The ILO was informed in 1985 that Britain would be withdrawing from it (Hart, 1994).
16. CPRS (1982) *CPRS Unemployment Study Interim Report*, para. 48, NA CAB/184/609.
17. CPRS (1982) *Report on Unemployment*, para. 6.4, NA CAB/184/610.
18. *Ibid.*
19. It is likely that the level of wages agreed by wages councils were rarely related to the notion of the family wage. Blackburn (1991a, 2007b), for example, argues that when first introduced trade boards agreed wages which could be borne by the relevant trades, while the Cave Committee noted various ways in which minimum wage levels were devised in trades: 'Some Boards have had regard only to the cost of living, while others

- have taken into account the value of work done and the charge which the trade can bear' (Committee appointed to enquire into the working and effects of the Trade Boards Act, 1922, para. 52). Later, Stevenson (1980) hinted at such differences when she noted that some independent members of wages councils believed in social, rather than economic, criteria for determining the level at which wages should be set.
20. Before the abolition of wages councils the Wages Act 1986 restricted the operation of wage councils by allowing them to set only one minimum hourly rate for adults and a single overtime rate, and removing young people (those aged under twenty-one) from their purview.
  21. <https://www.gov.uk/government/organisations/low-pay-commission/about/terms-of-reference> (accessed 17 March 2015).
  22. All figures are from October 2015.
  23. Accreditation means employers must pay all their directly employed workers at least the LW and have an agreed plan for the implementation of the LW for third party contracted staff, <http://www.livingwage.org.uk/> (accessed 18 March 2015).
  24. See speech of Rachel Reeve, then Shadow Secretary of State for Work and Pensions, <http://press.labour.org.uk/post/110059473839/rachel-reeves-mp-labours-shadow-work-and> (accessed 27 March 2015).
  25. Hart (1994) argues the WTUL looked to the structural causes of sweating, while the WIC's focus was upon the workplace in an approach that could sometimes give the impression of blaming the victims and which was at least as concerned with protecting the public from the disease and dirt of the home work environment as it was with protecting women wage workers. In this context, Hart (*ibid.*, p. 29) argues home working was for many 'an internal contradiction, an unacceptable conflation of domesticity and industrialism'.
  26. All figures relating to women working in the initial trade boards are from Hart (1994, p. 57).
  27. Approximately 90% of the 2.5 million workers covered by wages councils were women in the early 1990s (Hart, 1994, p. 178).
  28. In December 2014 the majority (77.2%) of part-time workers in the UK were female, <http://www.ons.gov.uk/ons/datasets-and-tables/data-selector.html?table-id=03&dataset=lms> (accessed 26 March 2015).
  29. Tony Blair was quoted as saying that: 'A minimum wage is essential as a matter of common decency.' (*The Guardian*, 29 January 1998)

## 11 International Experiences of Wage Supplements: New Zealand and the USA

1. See, for example, Adreß and Lohmann (2008); Lohmann (2008); Airio (2009); European Foundation for the Improvement of Living and Working Conditions (2010) on Europe, and Almeida *et al.* (2014) and Banerji *et al.* (2014) on 'developing' countries.
2. The countries were Australia, Austria, Canada, France, Greece, Italy, Japan, the Netherlands, New Zealand, Britain and the USA.
3. The countries were Australia, Belgium, Britain, Canada, Finland, France, Germany, Hungary, Ireland, Japan, Korea, The Netherlands, New Zealand, Sweden, the Slovak Republic and the USA.
4. It has an hours qualification of thirty per week for couples and twenty a week for single people.
5. Details of tax credits in New Zealand are available from: <http://www.ird.govt.nz/wff-tax-credits/entitlement/what-is-wfftc/> (accessed 18 June 2015).
6. In debates in Britain about the sweated trades the wages boards introduced in Australia in the Factory Act 1896 were highlighted by Liberal MP, Sir Charles Dilke, as being a potential compromise between a desire to address low wages and resistance to their regulation through a national minimum wage from both liberal economists

who opposed state involvement in the regulation of wages and trade unions which opposed compulsory arbitration (Blackburn, 1991a, 1988, 2007a, 2007b. After visiting Australasia in 1898 Beatrice and Sydney Webb argued that ‘if fair-minded employers in Australia were prepared to experiment with wage fixing, those in Britain had nothing to fear’ (cited in Blackburn, 2009, p. 222).

7. Two shillings a week for the third and subsequent children for families earning less than £4 per week.
8. During WWII FA had been extended in various ways. In 1941 it became payable to all children in qualifying households. There were also increases in the income thresholds below which FA was paid. These changes, however, created contradictions for the New Zealand government. On the one hand, there was a desire to protect the standard of living of income poor households against both tax and cost of living increases, and to limit demands for wage increases during the war. On the other hand, there was a feeling that the means-tested nature of FA was preventing New Zealand from working at full production as, for example, employers complained that they could not get their workers to do overtime because of the effects that it would have upon their FA payments (McClure, 1998, pp. 97–9). Initially, FB was not universal as children born outside of marriage and being raised by lone mothers were excluded, as were the children of war pensioners and widows. However, following protests, the legislation was soon amended to include them (*ibid.*).
9. <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/journals-and-magazines/social-policy-journal/spj20/the-level-of-financial-assistance-20-pages173–196.html> (accessed 11 July 2015).
10. The universal FB, for example was means-tested from 1991.
11. <http://www.ird.govt.nz/aboutir/external-stats/social-policy/wfftc> (accessed 2 June 2015).
12. *Closing the gaps* involved a number of policies which were supposed to reduce socio-economic disparities between Pākehā and Māori people. It involved 72 policies, of which thirty-nine were specifically aimed at Māori people, but this ‘was sufficient for popular discourse to construct Closing the Gaps initiatives as examples of unjustifiable preferential funding and exclusionary service delivery’ (Elizabeth and Larner, 2009, p. 144).
13. Submissions and decisions regarding the appeal can be found at: <http://www.cpag.org.nz/resources-publications/cpag-in-the-court-of-appeal-3/> (accessed, 15 June 2015). See also St John *et al.* (2008).
14. The idea of a NIT, for example, was under discussion during the years of the Wilson governments. The papers of the NIT Working Group (1967–70) are in: NA BN 72/45, NA BN 114/11, NA T/227/1969, NA T/227/1974, NA T/227/2239, NA T/328/317, NA T/328/318.
15. Reporting in 1964, for example, the President’s Task Force on Income Maintenance recommended a tax adjusted allowance for low income families with dependent children. Later, the Advisory Council on Public Welfare (1966), the National Commission on Technology, Automation and Economic Progress (1966), the Advisory Commission on Rural Poverty (1967) and the Kerner Commission on Civil Disorders (1968) ‘all recommended an extension and reform of welfare to recognize a national interest in the poor in every state and every category and noncategory’ (Lampman, 1969, p. 6).
16. Long later explained to Nixon that the Senate Finance Committee’s objections were moral in character; an ‘objection to paying people not to work’ and an ‘objection to people who lay about all day making love and producing illegitimate babies’ (cited in Moynihan, 1973, p. 523).
17. Patrick Moynihan (1973) notes that what has been described in this book as the myth of the Speenmanland Scale was used to critique the development of the FAP proposal. Drawing upon Polanyi’s (1957) *The Great Transformation*, it was argued in a report by a staff member (Martin Anderson) of Nixon’s Counsellor for Programme Development

(Arthur Burns) that while the Speenhamland Scale had been introduced with the best of intentions, 'in the long run the result was ghastly' (cited in Moynihan, 1973, p.179). Moynihan notes that the inference of the report was that the consequences of FAP would be little different – 'productive capacity...drained, ...independence destroyed, ...self-respect shattered' – to that alleged to have been in the case of the Speenhamland Scale. Nixon's Urban Affairs' staff sought historical verification which was not forthcoming. The response of historians was that 'Speenhamland had been no great success, but no great failure either' (*ibid.*, p. 180), while the fact that FAP was not proposing a 100% marginal tax rate on earnings denoted an important difference to the Speenhamland Scale.

18. <http://www.eitc.irs.gov/uac.SOI-Tax-Stats-Historical-Table-1> (accessed 27 April 2015).
19. <http://www.eitc.irs.gov/EITC-Central/eitcstats> (accessed 27 April 2015).
20. <http://www.eitc.irs.gov/uac.SOI-Tax-Stats-Historical-Table-1> (accessed 27 April 2015).
21. <http://www.ssa.gov/oact/cola/awidevelop.html> (accessed 27 April 2015).
22. Extrapolated from Falk (2014), table 3, pp 10–11.
23. For up to date information on state and local EITCs see <http://www.taxcreditsforworkingfamilies.org/earned-income-tax-credit/states-with-eitcs/> (accessed 28 April 2015).
24. <http://www.workingfamiliescredit.org>, original emphasis (accessed 29 April 2015).

## 12 Conclusion

1. Although there have been Conservative arguments for increasing the federal minimum wage in the USA for several years (for example, [http://www.salon.com/2013/05/18/the\\_conservative\\_case\\_for\\_raising\\_the\\_minimum\\_wage/](http://www.salon.com/2013/05/18/the_conservative_case_for_raising_the_minimum_wage/); <http://www.ronunz.org/2014/02/03/the-conservative-case-for-a-higher-minimum-wage/>; [http://www.slate.com/articles/news\\_and\\_politics/politics/2014/01/california\\_minimum\\_wage\\_meet\\_the\\_libertarian\\_multimillionaire\\_who\\_is\\_pushing.html](http://www.slate.com/articles/news_and_politics/politics/2014/01/california_minimum_wage_meet_the_libertarian_multimillionaire_who_is_pushing.html), all accessed 29 July 2015).
2. [http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Summer/Hood\\_distributional\\_analysis.pdf](http://www.ifs.org.uk/uploads/publications/budgets/Budgets%202015/Summer/Hood_distributional_analysis.pdf) (accessed 28 July 2015).

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- NA BN/133/17 *Review of Benefits for Children and Young People (CYPR) Chaired by Dr Rhodes Boyson: summary of options considered and conclusions.*
- NA BN/133/53 *Social Security Reviews: overlap between tax liability and benefit receipt ('churning'); incentives for the low paid and unemployed.*
- NA BN/133/91 *Social Security Review: publication of conclusions; draft appendix on 'Low Incomes, Needs and Wants'.*
- NA BN/133/102 *Ministerial Group on Social Security (MISC 111), Chaired by the Prime Minister: Draft Reports.*
- NA BN/133/122 *Review of Benefits for Children and Young People (CYPR) Chaired by Dr Rhodes Boyson: responses from professional associations and trade unions.*
- NA BN/133/126 *Review of Benefits for Children and Young People (CYPR) Chaired by Dr Rhodes Boyson: evidence and submissions from businesses and other national associations; includes responses to Green Papers 'Reform of Social Security' (Cmnds 9517–9519) and 'Housing Benefit Review' (Cmnd 9520) from the Confederation of British Industry (CBI) and Association of Metropolitan Authorities (AMA).*

- NA BN/133/197 *Ministerial Group on Social Security (MISC 111): briefing notes on the Social Security Review.*
- NA BN/133/198 *Ministerial Group on Social Security (MISC 111): introductory papers on the Social Security Review.*
- NA BN/133/199 *Social Security Review: 'January Week' papers; decisions.*
- NA BN/133/220 *Reform of Social Security: meetings with the Secretary of State and Ministers at Hannibal House; papers.*
- NA BN/149/20 *Availability for Work: benefit sanctions and the interface between Unemployment Benefit and Income Support.*
- NA CAB/128/41 *Conclusions of a Meeting of the Cabinet, Thursday 23 June 1, 66, CC (66) 31st Conclusions.*
- NA CAB/129/127/16 *Record Type: Memorandum. Former Reference: C(66)157. Title: family endowment. Author: Margaret Herbison.*
- NA CAB/129/127/18 *Record Type: Memorandum. Former Reference: C (66)159. Title: family endowment. Author: Douglas Houghton.*
- NA CAB/129/127/42 *Record Type: Memorandum Former Reference: C (66) 183 Title: family endowment. Author: Margaret Herbison.*
- NA CAB/129/128/17 *Record Type: Memorandum. Former Reference C (67) 17. Title: family endowment. Author: Leonard James Callaghan, Patrick Gordon Walker.*
- NA CAB/129/132/8 *Record Type: Memorandum. Former Reference: C (67) 128. Title: family endowment. Memorandum by the Chancellor of the Exchequer. Author: James Callaghan.*
- NA CAB/134/3280 *Ministerial Committee on Social Services: meetings 1-13; papers 1-30.*
- NA CAB/152/87 *Working Group: family support (Cabinet Office Social Services Co-ordinating Staff).*
- NA CAB/184/609 *CPRS Unemployment Study: interim report.*
- NA CAB/184/610 *CPRS Report on Unemployment.*
- NA ED/136/373 *Official Committee on the Beveridge Report (Family Allowances): Papers and minutes.*
- NA EW/8/192 *Concept of a National Minimum Wage; Notes and Papers.*
- NA EW/8/193 *Concept of a National Minimum Wage; Notes and Papers.*
- NA EW/8/195 *Inter-Department Working Party on a National Minimum Wage: minutes of meetings.*
- NA EW/24/203 *National Minimum Wage.*
- NA IR/40/18685/2 *Family Endowment: consideration of family allowance part 2 of 2.*
- NA IR/40/18689/3 *Family Endowment: family allowances, Part 3 of 3.*
- NA LAB/10/1820 *Working Party on a National Minimum Wage: terms of reference, membership; correspondence.*
- NA LAB/10/2149 *National Minimum Wage: cost of various proposals.*
- NA LAB/10/2516 *National Minimum Wage: preparation of final report.*
- NA LAB/10/2894 *National Minimum Wage: provision of information for the Royal Commission on Trade Unions and Employers' Associations and the National Board for Prices and Incomes (NBPI).*
- NA LAB/10/3179 *Interdepartmental Working Party on a National Minimum Wage: revised draft report of the 1964 working party and papers.*
- NA LAB/10/3285 *Interdepartmental Working Party on a National Minimum Wage: implications of a minimum earnings level.*
- NA LAB/111/16 *Working Party on a National Minimum Wage: 1st to 6th meetings; minutes and papers.*
- NA LAB/112/36 *'The Poverty Trap', article in 'New Statesman' by Frank Field and David Piachaud: notes and papers on whether pay increases improve low paid families incomes.*
- NA LAB/112/273 *Low Pay and Wages Councils: general policy; possible abolition of wages councils.*
- NA MH/57/120 *Relief to Able-bodied Farm Labourers and Families; Supplementation of Wages.*

- NA MH/79/313 *National Assistance Bill 1946: abolition of poor law.*
- NA PIN/7/929 *Implications of Growth in Part-time Work for the Social Security System: payment of benefits to the 'partly employed'; partial benefits.*
- NA PIN/7/957 *Working Group on Work Incentives and Income Compression (WIIC).*
- NA PIN/17/1 *Inter-departmental Committee on Social Insurance and Allied Services (Beveridge Committee): family allowances; memoranda and evidence.*
- NA PIN/18/514 *Social Security Review on Treatment of Family Allowances: relationship between family allowances and income tax allowances for children.*
- NA PIN/72/25 *Benefit Ceiling.*
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- NA PREM/13/3264 *Home Affairs. Child Poverty Action Group: Prime Minister received deputa-tion; invitation to Prime Minister to speak at conference in Manchester; correspondence with Frank Field, Director and others.*
- NA T/227/1969 *Working Group on Negative Income Tax: NIT(68)1st to 5th Meeting.*
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- NA T/277/3680 *Ad Hoc Group on Work Incentives and Income Compression: memoranda 1–12.*
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