The Return to Speenhamland

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Iain Duncan Smith's Universal Credit has been criticised on many grounds, but these all seem to relate to the difficulties and cost of implementation. There has been little attempt to analyse the principles behind the introduction of the new benefit. On the contrary, all major political parties agree that UCT is a 'good thing' because it will enable the unemployed to move in and out of work more easily and increase their earnings once in work, without suffering penal rates of taxation

Speenhamland, 1795

The magistrates and clergymen who met at the *Pelican* inn in the village of Speenhamland in Berkshire in May 1795, probably had little idea of what they were starting. They had no intention of inventing a new system. They simply wanted to find a way to relieve the plight of the local poor, by increasing the real income of local labourers. However, they differed as to best way to achieve this. Was it better to top up their wages by imposing a minimum wage-rate on employers, or provide a subsidy out of public funds? They evidently had the power to do either; but, rightly or wrongly, they chose the second method. They would use the existing poor rate to make a cash payment, linked to the price of bread – which had increased alarmingly. The amount payable was based on the idea that the average labourer consumed three 'gallon' loaves a week, while his wife and other family members needed half that amount each. So, if the loaf cost a shilling then the 'poor and industrious' wage-earner would receive three shillings for himself and half that for each family member, and his wages would if necessary be supplemented by the allowance. In modern terms this was an in-work, non-contributory, means-tested social security benefit, subject to 'conditionality' (by virtue of the requirement to be 'industrious'), with the important difference that the recipient had no legal right to it, and no means of appealing the decision of those with authority over him.

This solution adopted was widely adopted throughout the South of England and more slowly in the North during the long war with France between 1793 and 1815, perhaps because it latterly served to compensate for the effect on the price of bread of the Corn Laws, introduced in 1813 and not repealed until 1849. The Speenhamland system, as it became known, was based on the Elizabethan Poor Law

Act of 1601, which had enabled magistrates to set a local poor rate. It was remarkable for being a cash payment as opposed to a payment in kind; and as being a form of 'outdoor' relief – as opposed to the kind of 'indoor relief' available in the workhouse. Workhouses did however exist, and in considerable numbers, by 1795.

From one point of view, Speenhamland represented progress. We are clearly no longer in a world where the only response of the authorities, at least to those of no fixed abode, was the whip, the stocks and the House of Correction. However the system was widely criticised, especially in the light of Adam Smith's stern approach to economics and state intervention. Thomas Malthus thought that outdoor relief would lead inevitably to unsustainable population growth and poverty for all, as well as limiting the mobility of labour. David Ricardo argued that public expenditure on welfare reduced the amount of money in private hands which was available to pay wages. He also argued that it encourage the poor to be lazy, and have large families; and discouraged the habit of saving for old age or illness. Jeremy Bentham believed that in a free-market system wages should be allowed to find their own levels. Edwin Chadwick suggested that the able-bodied poor should be put to work in workhouses and disbarred altogether from claiming outdoor relief. Conditions there should be worse than those for the poorest labourer outside the workhouse, so that people would not want to claim relief (this being the 'principle of less eligibility'). Meanwhile, 'every penny bestowed, that tends to render the condition of the pauper more eligible than that of the independent labourer [was] a bounty on indolence and vice.'

The New Poor Law, 1834

Chadwick was extremely influential in the setting up of a Royal Commission to investigate. Their Report of 1832 took a very dim view of the Speenhamland system, which it regarded as a perversion of the Elizabethan Poor Law of 1601. This had been intended by those who had framed it to deter vagrancy and control the idle poor. They had wanted the poor rates to be spent on getting people into work. They had never intended that it should be used to pay people who already had gainful employment. The Speenhamland system was decried as a 'universal system of pauperism', which had allowed employers to pay starvation wages.

It is now our painful duty to report, that in the greater part of the districts which we have been able to examine, the fund, which the 43d of Elizabeth [the Act of 1601] directed to be employed in setting to work children and persons capable of labour, but using no daily trade, and in the necessary relief of the impotent, is applied to purposes opposed to the letter, and still more to the spirit of that Law, and destructive to the morals of the most numerous class, and to the welfare of all.

The only solution to the problem was to build more workhouses, streamline the administration of those which already existed and abolish outdoor relief for those in work. This might be considered harsh but

Although we admit that able-bodied persons in the receipt of out-door allowances and partial relief, may be, and in some cases are, placed in a condition less eligible than that of the independent labourer of the lowest class; yet to persons so situated, relief in a well-regulated workhouse would not be a hardship: and even if it be, in some rare cases, a hardship, it appears from the evidence that it is a hardship to which the good of society requires the applicant to submit.

The report was implemented. The Act of 1834, which came to be known as the New Poor Law, established a Poor Law Commission to oversee the national operation of the system. Parishes were grouped into Poor Law Unions. Workhouses had to comply with the principle of "less eligibility", that is the level of support provided had to be somewhat below that available to those outside the workhouse who were fending for themselves Families were normally separated on entry into the workhouse, which became little more than a prison. Outdoor relief was not banned altogether, but it was strongly discouraged and virtually died out.

The legislation of 1834 met with little opposition in Parliament and the new system lasted for over a century: it was not until the National Assistance Act of 1948 that the last vestiges of the New Poor Law disappeared, and with them the workhouses. In the meantime, however, it had met with devastating criticism in the Press and sporadic opposition in the country. *The Times* damned the Act of 1834 as a 'disgrace to the statute-book'. The radical MP William Cobbett claimed that it 'enriched the landowner' at the expense of the poor. The so-called Tory radical . Richard Oastler wrote letters to the *Leeds Intelligencer* and the *Sheffield Iris* denouncing the new system as unchristian. The New Poor Law was most unpopular in the North of England, an area which had been late to adopt the Speenhamland methods.

20th century: social security transformed

The government now spends twice as much on social security as on health, three times as much as on education and five times as much as on defence: it accounts for around a third of all government spending. There is a bewildering variety of benefits available and even academics and legislators have difficulty in categorising these. In the 3rd edition of Ogus & Barendt's *Law of Social Security* (1985) and in the Social Security Contributions and Benefits Act 1992, benefits were classified in three ways, according to whether they were contributory or non-contributory, centrally- or locally-administered, or 'income-related' (i.e. means-tested) or not.

The distinction between contributory and non-contributory benefits matters less than it used to, because of the marginalisation of the National Insurance Fund. This was intended to be self-financing when it was created in 1911, but any hope of its ever being so was ruined by the First World War, and it now needs to be topped up regularly from general taxation. Accordingly, national insurance contributions [NICs] are rightly regarded by the public for what they are – another form of

taxation - though politicians and civil servants still like to pretend otherwise. On the other hand, the distinction between centrally and locally administered benefits was always of questionable importance, because the responsibilities of government departments can be altered by the Prime Minister at the stroke of a pen, and Parliament can change the balance of power between central and local government. As for means-testing, this was intended to be a stop-gap but has turned into a permanent feature of the system. In its modern form it dates from 1948 and the creation of the National Assistance Board. Lord Beveridge hoped that the Welfare State would eradicate poverty, and therefore the need for the Board, altogether; but his hopes proved illusory with the return of mass unemployment after the end of the post-War economic boom. In 1966, national assistance was replaced with supplementary benefit, and that in turn gave way to income support, which is still with us, though the amount payable for pensioners was re-badged as State Pension Credit in 2002 (since a 'credit' is thought to be somehow more respectable than a 'benefit' or a dole). Meanwhile, means-testing is an essential part of jobseekers allowance [JSA] (introduced in 1996) and employment support allowance [ESA] (introduced in 2008).

It may come as a surprise, in the so-called age of austerity, to learn that there have long been benefits which are neither contributory nor means-tested. Child benefit is one; disability living allowance [DLA] - soon to be replaced by the personal independence payment [PIP] - is another. The first depends on having responsibility for a child, the second upon being disabled in some way and to some extent; but millionaires may claim.

In the 1980s Ogus & Barendt did not classify benefits according to whether or not they were discretionary 'social assistance' or rights-based benefits, though this had long been a distinction made by European Community legislation, and it is perpetuated in European Union legislation. The element of discretion has virtually been eliminated and all benefits are now rights-based. They can all be litigated about and, in most cases, the decisions taken by the adjudicating authority can be challenged before First-Tier Tribunals on questions of fact, and Upper Tribunals on points of law, with further rights of appeal in suitable cases to the Court of Appeal, Supreme Court, Luxembourg and Strasbourg. Social security has become a highly legalistic system, which attracts the attention of able and effective lawyers and pressure groups.

Benefits could in theory be classified according to age – since there is a line to be drawn between the young, those of working age and pensioners; but it was never part of the conventional scheme to distinguish between in-work benefits and those for those who were out of work, for whatever reason. This is because the Beveridge scheme was never intended to help those in work but in receipt of low wages. This began to change with the introduction of family income supplement [FIS] in 1970, which was replaced by family credit [FC] in 1986, itself replaced by working families tax credit [WFTC] in 1999, and by working tax credit [WTC] and child tax credit [CTC] in 2003. These were all benefits for the low-paid, designed to act as a

supplement to wages; but prior to 2003, a person was only eligible if he or she was responsible for at least one child.

21st century & universal credit

The new Universal Credit is the brainchild of Iain Duncan Smith; but it is neither a credit, nor is it universal. It is not universal because it is not payable to everyone, but it does represent a considerable change, in that it is available to the unemployed and the employed, even the self-employed, and does not require the claimant to be part of a family. It replaces no less than seven of its predecessors: by virtue of section 33 of the Welfare Reform Act 2012. Income-based jobseeker's allowance [JSA], income-based employment and support allowance [ESA], income support [IS], housing benefit [HB], council tax benefit [CTB], child tax credit [CTC] and working tax credit [WTC] are, or will be, abolished. Fundamental features of the old benefits remain. Those who used to claim JSA must still actively seek and be available for work; those who used to get ESA must still undertake work-related activity, unless they are in the 'support group'; and so on. Unlike FIS, FC, WTC and CTC, however, UCT does not require the claimant to be part of a unit containing at least one child. It therefore represents a re-badging and re-brigading of several old benefits; but it does have this new and critical feature – it is, amongst other things, an in-work benefit. In this way, UCT is more like the old 18th century Speenhamland system than the New Poor Law of 1834, notwithstanding the enactment of the National Minimum Wage Act of 1998. Does the average Conservative voter realise this, we wonder?

The former workhouse at Southwell may still be visited