

# ***There and Back Again: The Welfare State, 1942-1990***

BY

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## **ABSTRACT**

### ***THERE AND BACK AGAIN: THE WELFARE STATE, 1942-1990***

*The Welfare State was intended to represent a fundamental break from the past, rejecting residual social welfare in favour of a universal, "institutional" model. As services have developed, however, there has been a resurgence of residualism, particularly in social security provision. This cannot easily be explained in terms of "path dependency"; health care, which was part of the Poor Law, has continued on an institutional basis, and public housing, which was not part of the Poor Law, has been residualised. The shift away from universalism seems to reflect a fundamental change in the basis of social provision.*

## **RÉSUMÉ**

### **PROGRESSION ET RÉGRESSION : L'ÉTAT-PROVIDENCE, 1942-1990**

À sa création, l'État-Providence devait représenter une rupture fondamentale avec le passé, et remplacer le modèle résiduel par un modèle universel et « institutionnel ». Au fur et à mesure de l'amélioration des prestations, on a assisté à une résurgence du modèle résiduel, en particulier en matière d'assurances sociales. Expliquer ceci par la tendance du système à générer « l'assistanat » est un peu sommaire. La prise en charge du risque « santé », qui était déjà de la responsabilité de la *Poor Law*, s'est poursuivie dans un cadre « institutionnel », alors que le logement public, qui était en dehors, en est venu à être conçu en termes résiduels. Cet abandon de l'universalisme reflète un changement fondamental dans les principes directeurs de la protection sociale.

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### ***From Poor Law to Welfare State: Residual and Institutional Welfare***

The British Welfare State was founded in 1948. It was intended to represent a major change from the kind of society which had existed in Britain before the war. Britain – or rather, England and Wales, because the United Kingdom was not formed until the eighteenth century – had had a national law dealing with poverty for three hundred and fifty years. The Poor Laws of 1598-1601 set up a system of organised poor relief, paid for from local property taxes. This system underwent a major reform in 1834, and the Poor Law came to stand for a deterrent system designed to make the experience of dependent poverty as unpleasant as possible. The 1834 Act was based on two core principles: the 'workhouse test', that poor people should have to enter the workhouse as a condition of receiving poor relief, and 'less eligibility', that the condition of a person who was dependent on the Poor Law should not be preferable (or more 'eligible') than the position of an independent labourer.<sup>1</sup> Neither was really possible in practice: some poor people, particularly elderly people, continued to receive relief outside the workhouse, and as for the position of independent labourers outside, it was often so bad that the Poor Law authorities could just not make the conditions inside the workhouse any worse. On the one hand, there were scandals where paupers were starved or neglected;<sup>2</sup> on the other, there were workhouses thought of as 'pauper palaces'.<sup>3</sup> Effectively, the Poor Law came to rely on 'stigma' – the humiliation and degradation associated with becoming a pauper – as the main way it could hold the line.

The Poor Law was the foundation of many of the British social services, and indeed of the system of local government in England and Wales.<sup>4</sup> Hospital care, residential care for elderly people and sanitation developed directly from the administration of the Poor Law. Many other services – education, old age pensions, unemployment insurance, and health insurance and social assistance – were introduced as a way of avoiding the Poor Law, and the stigma associated with it. The much hated 'means test' of the 1930s<sup>5</sup> was not part of the Poor Law; it was a system that was supposed to offer an alternative to pauperism. By the time the 'Welfare State' came into being, there was a complex patchwork of services in place, united (if that is the word) by one main guiding principle: whatever the services were like, they should not be like the Poor Law.

The Welfare State was based on a combination of different elements. On the same day, three major Acts of Parliament came into force: the National Health Service Act of 1946, the National Insurance Act of 1946, and the National Assistance Act of 1948, which made provision for a range of groups (including elderly people, people with disabilities and homeless people) and declared, roundly, that the Poor Law was

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<sup>1</sup> S.G. CHECKLAND & E. CHECKLAND (eds.), *The Poor Law Report of 1834*, Harmondsworth: Penguin, 1974.

<sup>2</sup> I. ANSTRUTHER, *The Scandal of the Andover Workhouse*, London: Geoffrey Bles, 1973.

<sup>3</sup> A. DIGBY, *Pauper Palaces*, London: RKP, 1978.

<sup>4</sup> S. & B. WEBB, *English Poor Law History*, 1929. Part 2: "The Last Hundred Years", London: Frank Cass, 1963.

<sup>5</sup> A. DEACON & J. BRADSHAW, *Reserved for the Poor*, Oxford: Blackwell, 1983.

abolished. A range of other measures came into force at around the same time, including the 1944 Education Act, Family Allowances dating from 1945, the 1948 Children Act, and various housing and town planning measures which expanded the role of local authorities in the provision of housing. These measures were represented as inter-linked, and mutually reinforcing: it was understood, for example, that there was no point in offering people health cover and education if they had squalid housing and no income. The Beveridge Report, one of the founding documents of the Welfare State, made some celebrated 'assumptions' about the basis for a new social security system. Beveridge 'assumed' there would be full employment, a national health service, and family allowances.<sup>6</sup> This position, which was never argued through, reflected the received wisdom of the time. A hundred years before, Edwin Chadwick, the secretary to the Poor Law Commissioners, had reported that the main cause of dependency on the Poor Law was sickness, and the main cause of sickness was insanitary housing.<sup>7</sup> For Beveridge's purposes, full employment was necessary because, without it, unemployment protection could not be financially viable. Family allowances were needed to help the 'family wage' reflect the needs of the household. It was not possible to offer unemployment cover separately from health cover, because people with only one would be driven to use the other. Other documents from the period go further: education, housing and planning were also seen as essential to the new Britain.<sup>8</sup>

For Thoenes, the Welfare State was a form of society "... characterised by a system of democratic government-sponsored welfare placed on a new footing and offering a guarantee of collective social care to its citizens, concurrently with the maintenance of a capitalist system of production."<sup>9</sup> Marshall, similarly, described the Welfare State as an amalgam: "democratic-welfare-capitalism".<sup>10</sup> The Welfare State guaranteed a minimum level to everyone – a floor below which people would not fall. Unlike the residual 'safety net' offered by the system before the Welfare State, it promised a basic foundation common to everyone – a basic quality of housing, education, and medical care; and it did so on the basis of social rights. The difference between the Welfare State and the Poor Law is commonly referred to as a difference between 'residual' and 'institutional' welfare. The terms were first used by American commentators Wilensky and Lebeaux, and subsequently were taken up by Titmuss.<sup>11</sup> A residual system, like the Poor Law, treats people who are dependent on welfare as different. Welfare is a 'public burden'. An institutional system is one where need and dependency are 'institutionalised', a normal part of social life, and benefits and services are given as of right. The social services, like health or social assistance, become accepted, in the same way that public services like roads or libraries are accepted. In practice, the distinction between residual and institutional welfare tends to be vague, because the actual policies and services delivered – like health care,

<sup>6</sup> W. BEVERIDGE, *Social Insurance and Allied Services*, Cmd. 6404, HMSO, 1942.

<sup>7</sup> S. E. FINER, *The Life and Times of Sir Edwin Chadwick*, London: Methuen, 1952.

<sup>8</sup> "The new Britain must be planned", *Picture Post*, 4th January 1941.

<sup>9</sup> P. THOENES, *The Elite in the Welfare State*, London: Faber, 1966, p. 125.

<sup>10</sup> T.H. MARSHALL, *Sociology at the Crossroads*, London: Heinemann, 1963.

<sup>11</sup> H. WILENSKY, *Industrial Society and Social Welfare*, New York: Free Press, 1965. R. TITMUS, *Social Policy: an Introduction*, London: Allen and Unwin, 1974.

unemployment insurance or pensions – might be similar in either of them. The main differences are matters of intention and perception.

### *Social Security*

The Beveridge Report was concerned with the design of the social security system. Beveridge himself had worked with Churchill in the past, and he was hopeful of being given something rather more important to do, like the Ministry of Munitions; his biographer, José Harris, reports that when he was told he was only being given a committee on social security, he was visibly in tears.<sup>12</sup> His report was sufficiently radical to be repudiated by the rest of his committee, all civil servants; Churchill was unwilling to publish it; but Beveridge leaked it to the press, the report became a best seller, and to many it became a symbol of what the allies were fighting for. It also influenced the *Conseil National de la Résistance*, based at the time in London.<sup>13</sup>

Beveridge's rhetoric is rather more arresting than the details of the report; the 'five giants', and the promise of a comprehensive system that would cover people from cradle to grave, are what people remember about it. The phrase 'from cradle to grave' is not in the report; the comment comes from the press. The report was mainly concerned, however, with insurance. The system would be comprehensive; it would be adequate; its administration (unlike the local administration of the Poor Law) would be unified. In this, Beveridge's scheme had several quite fundamental failings. "*However comprehensive an insurance scheme*", Beveridge acknowledged, "*some, through physical infirmity, can never contribute at all and some will fall through the meshes of any insurance.*"<sup>14</sup>

Any scheme of insurance leaves out people who cannot contribute to it. The benefits were not adequate, partly because the Government was not ready to put in as much cash as Beveridge wanted, partly because there were needs – particularly the cost of housing – which the scheme did not take into account, but also because Beveridge's recommended levels were in any case not enough for people to live on. Beveridge had recommended flat-rate benefits and contributions – a basic minimum level – rather than the earnings-relation used in much of the rest of Europe. Contributions were set low, because low-paid workers could not otherwise have afforded them; the benefits, consequently, were also set low. According to the evidence of a civil servant, contributions ...

*... are not fixed on any particularly rational basis but on the basis that you want a reasonable test and do not want to make it too hard for people to get the benefits, because, after all, the contingencies are there ... None of us has ever paid, or ever will pay, ... the full value of our benefits.*<sup>15</sup>

<sup>12</sup> J. HARRIS, *William Beveridge: a Biography*, Oxford: Clarendon Press, 1977.

<sup>13</sup> J.J. DUPEYROUX, *Droit de la sécurité sociale*, 9th ed., Paris: Dalloz, 1989, p. 268.

<sup>14</sup> BEVERIDGE, *op. cit.*, paragraph 23.

<sup>15</sup> Cited in A.W. DILNOT *et al.*, *The Reform of Social Security*, Oxford: Clarendon Press, 1984, p. 34.

The problems of the low level of the benefits were compounded by the failure of the Beveridge scheme to address many basic needs. Some part of that might be forgiven Beveridge: he had specified that full employment was essential to the scheme, and many of the failures of the scheme relate to mass unemployment. This includes not only unemployed people who are not covered, but those who claim under other categories because they are unemployed. Beveridge did not foresee the substantial increase in the numbers of single parents, or the massive increase in divorce (which he considered 'uninsurable'). At the same time, he might have been expected to make better basic provision for a range of other needs – notably long-term sickness, disability, and the cost of housing (which leads many pensioners to rely on additional benefits).

The flaws in the Beveridge scheme are clear when considering the growth of other benefits, and in particular the basic means-tested benefit. National Assistance was introduced, in 1948, as a residual benefit intended to cover those people not covered by the insurance scheme. It was renamed as Supplementary Benefit in 1965, and Income Support in 1988. It grew relentlessly over the course of the next forty years.

<b>Recipients of the basic means-tested benefit (National Assistance, Supplementary Benefit, Income Support)</b>					
	(UK, 000s)				
	1951	1961	1971	1981	1991
Pensioners over 60:					
with NI pension	767	1089	1865	1693	1272
without NI pension	202	234	114	101	304
Unemployed	66	142	407	1384	1335
Sick/disabled	219	280	321	213	375
Single parents	127	138	285	379	871
Others	81	18	22	85	331
<b>Total recipients</b>	<b>1462</b>	<b>1902</b>	<b>3014</b>	<b>3873</b>	<b>4487</b>

At the same time as this benefit grew, so did the rest of the social security system. Part of this reflected policy – housing benefits were introduced in the 1970s, following the withdrawal of general subsidies to local-authority housing, and, in the absence of a minimum wage, other benefits were introduced to support people working while on low wages. The stigma which was associated with means-tested benefits meant that when benefits were developed for disabled people, they were put under new rules, depending neither on insurance contributions nor on means tests. By the 1970s, there were over 40 basic benefits, and the 'unified administration' Beveridge had called for seemed hopelessly illusory.

Institutional change is never easy, and reformed services have an uncanny tendency to take the form and pattern of the services which preceded them. Institutions have a direction, or 'trajectory'; they follow a path which is marked for them from their history. Path dependency makes it difficult, and sometimes impossible, to reform administrative structures. Only a strong, radical break, the

argument goes, stands any chance of kicking over the traces and starting afresh.<sup>16</sup> Beveridge had believed that his scheme represented a radical break from its past – a 'British revolution'. The story of social security seems to reflect the stranglehold of its history. Parts of the administration were, of course, directly based on the system which preceded it. The structure of the insurance benefits was based on the experience of National Insurance, introduced in 1911. The National Assistance scheme was based on measures taken between the wars to offer social assistance without the stigma of the Poor Law – particularly the Unemployment Assistance scheme of 1934, itself a codification of earlier measures. The main continuities in policy, though, were political rather than administrative. The benefits were held low, and close to presumed 'subsistence' rates, because of the widespread belief that generous benefits would promote dependency and undermine the desire to work. In much of continental Europe, as in France, incentives are maintained by relating the level of benefit to the earnings of the individual; people receive less in benefits than they do in work. In Britain, this position would not be acceptable; people have to receive less, not only than they would receive in work, but than anyone else would receive in work. Unemployment benefits, in particular, have been kept very, very low, because someone somewhere might be earning less. This is a direct reflection of the Poor Law principle of 'less eligibility', itself based on Ricardo's 'iron law of wages' – that the lowest industrial wage always tended to a minimum subsistence level.<sup>17</sup>

Another aspect of the culture of the Poor Law re-emerged in the 1970s: the national obsession with fraud. The Poor Law, and subsequently the 'means test' of the 1930s, had been characterised by suspicion, over-zealous administration and the subjection of claimants to inspection and surveillance; many people assumed this was left behind by the Beveridge scheme. Fraud became again an issue in the early 1970s, with the publication of an exposé by a former social security officer;<sup>18</sup> it mushroomed into a major press campaign in the mid-1970s.<sup>19</sup> The Conservative Government in 1980 plucked a notional figure of 1-2% fraud, on the basis that that was what supermarkets experienced in theft, and ever since Governments have offered leap-frogging estimates of the mountain of crime and deception by rapacious claimants. *Beating Fraud is Everyone's Business*, a recent Green Paper, offered the substantially unfounded figure of £7 billion.<sup>20</sup> Officers are encouraged to be constantly on their guard; a specialist agency conducts investigations of individual claimants; there are phone lines intended to encourage people to inform on neighbours and relatives. The pursuit of fraud has infected large parts of the benefits system; it defines much of the administration, and directly shapes the experience of claimants.

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<sup>16</sup> D. WILSFORD, "Path Dependency, or why History makes it difficult but not impossible to reform health care systems in a big way", *Journal of Public Policy* 14(3), 1995, pp. 251–283. G. BONOLI & B. PALIER, "Institutional opportunities and patterns of welfare reform: the politics of retrenchment in France and the UK", paper presented to the ISA research Committee, Copenhagen, 1997.

<sup>17</sup> J. R. POYNTER, *Society and Pauperism*, London: Routledge and Kegan Paul, 1969.

<sup>18</sup> R. PAGE, *The Benefits Racket*, London: Temple Smith, 1971.

<sup>19</sup> P. GOLDING & S. MIDDLETON, *Images of Welfare*, Basingstoke: Macmillan, 1982.

<sup>20</sup> Cmnd 4012. *Beating Fraud is Everyone's Business*, London: Department of Social Security, 1998.

A third trend has been the concern with 'dependency'. Critics of the Poor Law had always expressed concern that the existence of social support undermined independence, responsibility and morality. One commentator wrote in 1752, for example:

*When the Statute of Elizabeth relieving the Poor first took place, the Burthen was light and inconsiderable. Few applied for relief. It was a Shame and a Scandal for a person to throw himself on a parish... but the Sweets of Parish-Pay being once felt, more and more Persons soon put in for a share of it. One cried, he as much wanted, and might as well accept it, as another; the Shame grew less and less, and Numbers encouraged and countenanced one another.*<sup>21</sup>

Only the language has changed. It is possible to find similar complaints at almost any period in the last 250 years. In the 1960s, there was a general concern with the 'culture of poverty'.<sup>22</sup> In the 1980s, it was the 'underclass' or the 'dependency culture'. What this has implied, in practical terms, are repeated efforts to target long-term claimants in an effort to encourage a move to independence. Unemployed people have been required to attend periodic review to ensure they are making efforts to find work in Britain's depressed economy. People who are incapacitated for work are medically examined and reclassified (often with the imputation that misclassification represents some level of fraud on their part<sup>23</sup>).

The Beveridge scheme was still at the heart of the British social security system in 1990. The importance of the State pension has been marginalised, primarily because of its low level, and its main effective role is to cover those who do not have adequate occupational coverage. Cover for sickness has largely been transferred to the statutory sick-pay scheme administered by employers. The national insurance scheme for unemployed people virtually collapsed, with less than 10% of claimants covered by contributions; it has been replaced by a Job Seeker's Allowance, substantially dependent on means-testing and personal assessment. Cover for other contingencies, like birth and death, was largely removed in the 1980s. As the elements of the Beveridge scheme have failed, though, the shape which has gradually emerged looks more and more like a residual system.

### ***The National Health Service***

The Beveridge scheme was only one of the founding principles of the Welfare State. In many people's minds, the National Health Service was more important. It represented the ideal Welfare State – an institutional model, free at the point of delivery, offering services as of right to everyone. Health care, like social security, had grown out of the Poor Law: the 'infirmaries' were the Poor Law hospitals, which dealt with most cases of serious illness and provided long-term nursing care. The

<sup>21</sup> T. ALCOCK, *Observations on the Defects of the Poor Laws*, London: Baldwin, Clements, 1752, pp.16-17.

<sup>22</sup> O. LEWIS, *The Children of Sanchez*, Harmondsworth: Penguin, 1964. O. LEWIS, *La Vida*, London: Panther, 1968.

<sup>23</sup> See e.g. HOUSE OF COMMONS, Select Committee on Public Accounts, *58th Report, Minutes of Evidence*, HC 570, 1998.

hospitals were transferred away from the Poor Law in 1930, becoming the responsibility of local authorities. The local authorities lost this power with the formation of the NHS.

In many ways, the NHS had a stronger, more visible legacy from the Poor Law than any other service. Many of the hospitals, and related provision such as residential care for old people, had been Poor Law institutions. Many were designed with the concerns of the Poor Law in mind; it was common to find institutions, particularly for mental health, that were physically isolated and designed for containment. The NHS has had to contend through much of its history with the legacy of these institutions, coupled with the professional dominance of the elite former 'voluntary' hospitals. Despite this, the NHS seemed to have established a status as a new, quite different type of service. People believed they had a 'right' to health care.

Like most myths, what mattered here was that people believed it, rather than that it was true. There were few 'rights' in the NHS. The main right was to be registered with a general practitioner, but even this was circumscribed: the doctor had to accept a patient on the list, and in some areas (particularly London) doctors restricted their lists. Patients had no right to medical treatment: their right was to be medically assessed, and it was for the doctor to decide whether treatment was appropriate or necessary. In other words, the system was discretionary. It was also rationed: shortage of funds meant, for example, that from the 1950s on some patients did not receive care for renal disease.<sup>24</sup>

The NHS was presented as a service for everyone. Many people believed (wrongly) that it was paid for by national insurance contributions,<sup>25</sup> but the general sense of entitlement seems to have been based not on any part of the administration as much as a feeling that 'health' was a right. (Blaxter, in a revealing study, noted a difference in attitudes to means tests for free prescriptions and other means-tested benefits – free prescriptions were, after all, part of the health<sup>26</sup>). The principle that the service should be free at the point of delivery has been gradually eroded, but mainly this has happened at the margins: the most substantial payment people have to make is for prescriptions, and in practice most recipients, including pensioners and all children, are exempt. Hospitals are supposed to charge insurers for the consequences of road accidents, but the practice has been inconsistent. People from outside the UK became liable to pay charges in the 1982, though there are some exemptions, including outpatient and day patient treatment.

A former Minister for Health commented laconically that the NHS had always been characterised by a "deafening chorus of complaint".<sup>27</sup> In a private enterprise,

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<sup>24</sup> See T. HALPER, "Life and death in a Welfare State: end stage renal disease in the United Kingdom", *Milbank Memorial Fund Quarterly*, 63(1), 1985, pp. 52-93.

<sup>25</sup> B. ABEL-SMITH, "Health Policy", Lectures at the London School of Economics, 1978.

<sup>26</sup> M. BLAXTER, "Health 'on the welfare' – a case study", *Journal of Social Policy*, 3(1), 1974, pp. 39-51.

<sup>27</sup> J. M. POWELL, *Medicine and Politics*, London: Pitman Medical, 1966.

people get money by claiming they are doing things terribly well; in public service, people get funds when they show how inadequate their work is. Despite this, the deficiencies in the National Health Service were rarely noted in the popular press before the 1970s. The growing disquiet about the service provided by the NHS has focused on hospital closures, waiting lists and evidence of medical incompetence. A programme of hospital closure began in the 1960s, with the belief that it should be possible to transfer many long-stay patients from hospital to community care. It was accelerated in the 1970s, with attempts by the Labour Government to weed out excess and badly distributed capacity, and to transfer resources to primary care. These policies were continued in office by the Conservatives. Some overtly ideological statements from Conservative advisers fuelled popular concern that the Government was opposed to the general principle of the NHS, and in a famous statement the Thatcher Government sought to distance itself from the issues of privatisation or marketisation – assuring voters that "*the NHS is safe in our hands*".<sup>28</sup> Far from presiding over cuts in the service, during their tenure the Conservatives directed an increase in health expenditure in real terms of about 25%.

The changes which took place in the NHS at the end of this period represent a rather more fundamental alteration in the administrative structure – though it is perhaps important to recognise that the administrative structure they have replaced dates, not from the foundation of the service, but from the Heath Government in the 1970s. In an influential critique, Enthoven, an American economist, criticised the NHS for its over-centralisation, lack of accountability, and perverse incentives (like the bizarre incentive to maintain long waiting lists). The 'internal market' in the NHS established hospitals as quasi-independent trusts, which received funds according to the custom they attracted.<sup>29</sup> It was clearly part of the intention of these changes to make the NHS more like the private sector, though this does not of itself imply residualisation; that would be the case only if private services were available to the majority, and public intervention was reserved for those who were otherwise unable to manage. There are residual systems of this type; the system in the US provides State-funded coverage for elderly people, people on low incomes and (through state governments) long-stay psychiatric care.<sup>30</sup> This costs very much more than the UK's national system; one of the reasons why the NHS's universal coverage has proved so robust politically is that it is relatively cheap.

If the social security system seems to point to a path which was dependent on the Poor Law, the trajectory of the NHS seems wholly to have escaped its influence. Strong structures, Wilsford argues, have the potential to avoid path dependency. This looks, though, like rationalisation after the event. The Beveridge scheme for social security was a strong structure; it was a radical departure from what had come before, and it lasted over 40 years. The NHS was also a strong structure, but it looks as if it has broken away from the Poor Law tradition. It is difficult, then, to see what makes some structures path dependent when others are not.

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<sup>28</sup> N. TIMMINS, *The Five Giants*, Glasgow: Fontana, 1996, chapters 17-19.

<sup>29</sup> See e.g. B. HUDSON, *Making Sense of Markets in Health and Social Care*, Newcastle: Business Education Publishers, 1994.

<sup>30</sup> S. JONAS, *Health Care Delivery in the US*, New York: Springer, 1986.

### *The Personal Social Services*

The personal social services is a portmanteau term, used for a range of services which do not comfortably fit in any of the other categories – principally social work, support for families and 'community care'. When the Welfare State was formed, most of this work was undertaken either in the voluntary sector or by the Poor Law. Three departments were established in local government: the Children's Department, responsible for child and family welfare; the Health Department, responsible for local health issues and domiciliary assistance; and the Welfare Department, which had a miscellaneous collection of other responsibilities, including responsibilities for elderly people and disabled people. The division of labour between the three departments was muddled. For example, Children's Departments had residential nurseries, but Health Departments had Mother and Baby Homes; Welfare Departments had occupation centres, but Health Departments had occupational therapy; Children's Departments undertook family casework, but Welfare Departments dealt with homeless families. Following the Kilbrandon and Seebom reports in the 1960s, the departments were unified into Social Work Departments (in Scotland) and Social Services Departments (in England).<sup>31</sup> The administrative reforms came together with a marked increase in responsibilities for the new departments, particularly in relation to child care and services to elderly people.

Despite an avowedly universalist ideology, social services have always been residual in practice. The policy for old people since the 1960s has been to maintain independence for as long as possible;<sup>32</sup> that meant, in practice, that people were likely to be left until their situation seemed likely to break down. Child care was not for every family; it was for those who were considered to be 'at risk' or failing in some way. If the education service offered nursery education, it was as a matter of right; if social services offered them, it was as a means of protecting vulnerable children.

Social services were greatly expanded in the early 1970s, at a period when the Conservative Government thought that they offered a means of early intervention in inadequate families. A second period of expansion followed the introduction of 'community care' legislation in 1990, which amongst other things transferred responsibility for residential and nursing care to the Social Services departments. This has provided the essential route for circumventing the universalist practice of the health services: nursing care has been substantially removed from the ambit of the health service and passing the responsibility to local authority social services departments. When old people are not in hospital, they become liable to charges.<sup>33</sup> If

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<sup>31</sup> See J. COOPER, *The Creation of the British Personal Social Services 1962–1974*, London: Heinemann, 1983.

<sup>32</sup> MINISTRY OF HEALTH, Circular 2/62, "Development of local authority health and welfare services", 1962.

<sup>33</sup> L. CHALLIS, "The privatisation of long term care for older people", in PARRY, R. (ed.), *Privatisation*, Jessica Kingsley, 1990.

the NHS has avoided some of the implications of residualisation in other services, it may be because there was an alternative residual route available

### *Housing*

Council housing, unlike most other social services, did not originate with the Poor Law. It was developed after the First World War as a means of ensuring that the "working classes" had access to decent, affordable housing. By 1939, there were two million council houses. After the war, the mass clearance of slums which had begun in the 1930s gathered pace with post-war reconstruction. Over four million council homes were built in the course of the next 25 years.

With the development of mass housing, the nature of Britain's housing problems changed. As a consequence of reconstruction, there was a major change in the quality of housing; housing without water or electricity supplies were already rare by the mid-1960s, and houses without inside wc's or fixed baths had become rare by the mid-1970s. The problems that new tenants complained of were of a different kind: social isolation, because of the alienating layout of the new estates, dampness, because of their inability to afford heating. The primary issue of housing was to become a question of accessibility rather than condition. Housing was still distributed either by the market (and so it depended on ability to pay) or by local authorities, whose criteria tended to favour settled residents from within their own areas. Single people were usually able to find accommodation, however unsatisfactory, in the private rented sector; the people who were most likely to be caught out were poor families. The problem was widely publicised in the 1960s after a television play, "Cathy Come Home", and Shelter, the national campaign for the homeless, followed.

The return of the Conservative Government in 1970 marked a radical shift in policy. Part of their position was a desire to move away from universal welfare provision towards greater selectivity. This was most evident in the reduction of support for council housing, both in terms of investment in new construction and, significantly, in the reduction of general subsidies to council rents. The 1972 Housing Finance Act trebled rents. Because many tenants were unable to pay the new rents, this made it necessary to introduce a new means-tested benefit – the "Rent Rebate", later incorporated into Housing Benefit. The proportion of council tenants in receipt of rent rebate has varied with changes in entitlements and rents, but it has not usually been less than 50% and has ranged up to 75% of tenants.

For much of the period between 1970 and 1990, the dice were weighted heavily in favour of owner-occupiers. From 1963 onwards, owner occupiers received tax advantages for buying a house with a mortgage, and after the increases in council rents in the early 1970s this meant that owner-occupiers tended to receive rather more in subsidy than council tenants did. As rents increased, and subsidies reduced, the balance shifted more and more strongly in favour of owner-occupiers. The applicants

for council housing were likely to be poorer than others, because others were able to buy instead.<sup>34</sup>

The Conservatives' distaste for council housing was profound. Part of this was high-minded idealism: people wanted to be owner-occupiers, and the Conservatives stood for a property-owning democracy. Part was ideological: housing, they felt, could and should be provided in the private sector. Part was pragmatic: council housing was the bedrock of working-class support for the Labour Party. Peter Walker, at one stage the Secretary of State for the Environment, wondered aloud whether the Government might not simply give the housing away to its tenants. This was the seed of a key Thatcherite idea – the right for tenants to buy council housing at a discount, which has been credited with winning the 1979 election for the Conservatives. The sale of council housing, coupled with other measures, reinforced the residualisation of council housing. The reduction of subsidies and increasing rents were coupled with incentives to buy. Richer tenants bought their houses; poorer ones received housing benefits. During the 1980s, more than a million people bought council houses – fewer people than the Conservatives had hoped, because it still left millions of properties under local government control, but enough to mean that by the end of the 1980s council housing was, to all intents and purposes, substantially focused on people on low incomes. By 1988, the Conservatives were considering the mass transfer of council housing to independent landlords, a programme which is still continuing now.<sup>35</sup>

The residualisation of council housing raises questions about 'path dependency'. Housing was not part of the Poor Law; it was intended for the working classes, not for the poor. There was always a stigma attached to council housing – in several areas, private housing was segregated from the council estates – but the housing was mass housing, built in quantity to high physical standards. In the period after 1970, it became increasingly identified with residual values – second class provision, concentrations of social problems and low income. The earlier examples, social security and health, can at least be made to fit with the thesis of path dependency in some sense; the trajectory of public housing suggests a different kind of explanation. Council housing fell foul, in the UK, of a combination of two elements. One was a dominant political ideology – an ideology, not in the sense of a doctrine, but rather an interrelated set of values and beliefs – which held that there was something reprehensible in living in housing subsidised by the State. The other was economic: the advantages of owner-occupation, coupled with the availability of finance, meant that ownership became the tenure of choice for everyone with the financial means to achieve it. Mass housing became housing of the poor. This is not path dependency; it is structural change.

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<sup>34</sup> See R. FORREST & A. MURIE, "Residualisation and council housing", *Journal of Social Policy*, 12.

<sup>35</sup> See I. COLE & R. FURBEY, *The Eclipse of Council Housing*, London: Routledge, 1994.

### *From Institutional to Residual Welfare*

The development of the Welfare State was a move from residual to institutional welfare. Residualism – the focus on policy to meet the needs of the poor – never wholly went away. The experience of the period between the wars, and the changes which followed the Second World War, did much to discredit many of the old arguments about poverty. Unemployed people, it had been argued, had chosen not to work. But when the work became available, they did work. The Poor Law had created a class of dependent paupers: but with the experience of full employment, this supposed class seemed almost to disappear. Further, many of the biological arguments which were dominant in the 1920s had been discredited by Nazism, and although they retained their adherents – particularly the Eugenics Society, which described the inadequacies of 'problem families'<sup>36</sup> – they were not taken very seriously.

At the same time as awareness of poverty was re-emerging in the 1960s, the Government was also coming to be aware of some other social problems. The development of concern on racial issues directed attention towards the United States, where one of the principal responses had been the American 'War on Poverty'. The American literature focused partly on racial issues, partly on urban problems, and partly on the inadequacies of the poor.<sup>37</sup> The poor were characterised by for example,

...

*... a high incidence of maternal deprivation, of orality, of weak ego structure, confusion of sexual identification, a lack of impulse control, a strong present-time orientation with relatively little ability to defer gratification and to plan for the future, a sense of resignation and fatalism, a widespread belief in male superiority, and a high tolerance for psychological pathology of all sorts.*<sup>38</sup>

Lewis's description of the 'culture of poverty' seemed to say not only that poor people were different, but that they would continue to be different from one generation to the next. Several measures in the later stages of the Labour Government – in particular, the development of the 'urban programme', and the introduction of early intervention in compensatory education – were directly influenced by American models.<sup>39</sup>

The Conservative Government which came to power in 1970 was, in some respects, strongly ideological: it was committed, at least in theory, to many economic and social policies which are now considered to be "Thatcherite", including the withdrawal of support to ailing industry, retrenchment in State activity which might more appropriately be done by the private sector, and residual provision in social welfare. Sir Keith Joseph, as Secretary of State for Social Services, strongly favoured early intervention in inadequate families. He expressed particular concern about births

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<sup>36</sup> C.O. BLACKER (ed.), *Problem Families*, Eugenics Society, 1952.

<sup>37</sup> See E.T. CRITCHLOW & E.W. HAWLEY (eds.), *Poverty and Public Policy in Modern America*, Chicago: Dorsey, 1989.

<sup>38</sup> O. LEWIS, *La Vida*, London: Panther, 1968, p. 53.

<sup>39</sup> D. MCKAY & A. COX, "Confusion and reality in public policy: the cost of the British Urban Programme", *Political Studies*, 26(4), 1978.

to young, poor, unmarried mothers, and emphasised the importance of contraception for the feckless poor (a position which was mercilessly lampooned at the time in the satirical press – *Private Eye* dubbed him "Sir Sheath"). He argued that poverty was characterised by a 'cycle of deprivation', in which poor parents produced the poor children of future generations. Despite his ideological liberalism, Joseph presided over a major expansion in social work with children and families. He also, to his credit, funded research into the problems of "transmitted deprivation" and intergenerational continuities in poverty. The research was to find, in due course, that the cycle of deprivation did not happen.<sup>40</sup> Despite disadvantage, most poor children did not grow up to be poor parents; and after four generations, the distribution of poverty was the same for the families which had begun in poverty as for others.<sup>41</sup>

The economic depression of the 1980s fostered a resurgence of condemnation of the poor, fuelled as before by propaganda from the United States, framed this time in terms of the underclass and the dependency culture. The underclass were understood in the US as "*people who live in neighbourhoods where welfare dependency, female-headed families, male joblessness and dropping out of high school are all common occurrences.*"<sup>42</sup>

Auletta associates the underclass with "*violence, arson, hostility and welfare dependency*";<sup>43</sup> Charles Murray with "*drugs, crime, illegitimacy, homelessness, drop-out from the job market, drop-out from school and casual violence*".<sup>44</sup> The language is reflected in Tony Blair's view of 'social exclusion':

*A short-hand label for what can happen when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdowns.*

The idea of the underclass was initially used by left-wing commentators, but its use to stigmatise and accuse the poor has led to widespread rejection of the term.

*'Underclass' is a destructive and misleading label that lumps together different people who have different problems ... the latest of a series of popular labels ... that focuses on individual characteristics and thereby stigmatises the poor for their poverty.*<sup>45</sup>

The 'dependency culture' has been little better. This is the accusation that poor people have learned to be dependent, the result of over-generous benefits which have trapped them in poverty. The line of argument is similar to that followed by Murray in *Losing Ground*: people will not work if they are given benefits for doing nothing.<sup>46</sup> This is an argument for a deterrent, or punitive, policy.

<sup>40</sup> M. BROWN & N. MADGE, *Despite the Welfare State*, London: Heinemann, 1982.

<sup>41</sup> I. KOLVIN *et al.*, *Continuities of Deprivation*, Aldershot: Avebury, 1990.

<sup>42</sup> Cited in S. McLANAHAN & I. GARFINKEL, *Single Mothers, the Underclass and Social Policy*, Annals, 1989, p. 94

<sup>43</sup> K. AULETTA, *The Underclass*, New York: Vintage Books, 1983, p. 21

<sup>44</sup> C. MURRAY, "Underclass", *Sunday Times Magazine*, 26th November 1989.

<sup>45</sup> Cited W.J. WILSON, *The Truly Disadvantaged*, University of Chicago Press, 1987, p. 6.

<sup>46</sup> C. MURRAY, *Losing Ground*, New York: Basic Books, 1984.

The growth in dependency reflected two central trends. The first was demographic change: an ageing population, coupled with higher pension entitlements, led to an increasing demand for social security payments. The second was the return of mass unemployment. The crises of the mid-1970s, somewhat exacerbated by the tenure of the Heath Government, led to the Labour Government of 1974–79 instituting cuts in public expenditure, and a progressive rise in unemployment, which stood in 1979 at one million. Inequality in incomes had started to rise from the mid-1970s onwards.<sup>47</sup> Britain's fundamental economic problems had long been recognised as stemming from over-reliance on the 'old staple' industries, coal, textiles and heavy engineering; the Thatcher Government was determined to address them. The Government introduced a root and branch reform of British industry: they cut public expenditure, started to shift public employment into the private sector and withdrew support to manufacturing industry. This policy easily trebled the numbers of unemployed people; if the unemployment statistics had not been clipped (there were more than 25 downward revisions in the count), the figure may well have reached five million. The growth of unemployment led to dependency on social security benefits, not only by those who were formally 'unemployed' but by others who effectively withdrew from the labour market – people with disabilities or long term sickness, early retirees and single parents.

By the end of the 1980s, Britain had experienced a prolonged industrial slump. Unemployment remained stubbornly high, and long-term unemployment soared, with serious social consequences.<sup>48</sup> Crime and disorder had increased in line with the economic depression,<sup>49</sup> especially in poorer areas.<sup>50</sup> Street homelessness and begging, rare in the 1970s, had become commonplace.<sup>51</sup> The Government had been prepared, from the outset, to accept the social costs of restructuring the economy as the price for economic reform. It batted its hatches, determined to ride out the storm. There are still continuing debates as to how effective the measures were, how long the slump lasted (and if it is over yet), and what the true costs have been. In the view of the Conservative Government, claims about growing poverty were exaggerated.<sup>52</sup> Inequality had increased, but that was not the same thing.

The growth of inequality could, in itself, be seen as a threat to the nature of welfare provision. The Rowntree Inquiry argued that ...

*... as the gaps between rich and poor grow, the problems of the marginalised groups which are being left behind rebound on the more comfortable majority. Just as in the last century it was in the interests of all to combat the spread of infectious physical diseases caused by poverty, so in this century it is in the interests of all to remove the*

<sup>47</sup> JOSEPH ROWNTREE FOUNDATION, *Inquiry into Income and Wealth*, York: JRF, 1995.

<sup>48</sup> D. GALLIE *et al.* (eds.), *Social Change and the Experience of Unemployment*, Oxford: Oxford University Press, 1994.

<sup>49</sup> S. BOX, *Recession, Crime and Punishment*, Basingstoke: Macmillan, 1987.

<sup>50</sup> D. EVANS *et al.* (eds.), *Crime, Policing and Place: Essays in Environmental Criminology*, London: Routledge, 1992.

<sup>51</sup> R. BURROWS *et al.*, *Homelessness and Social Policy*, London: Routledge, 1997.

<sup>52</sup> J. MOORE, *The End of the Line for Poverty*, London: Conservative Political Centre, 1989.

*factors which are fostering the social diseases of drugs, crime, political extremism and social unrest.*<sup>53</sup>

The trend to residualism can be seen as part of the trend to inequality. Selective social provision, Townsend argues, ...

*... fosters hierarchical relationships of superiority and inferiority in society, diminishes rather than enhances the status of the poor, and has the effect of widening rather than reducing social inequalities. Far from sensitively discriminating different kinds of needs it lumps the unemployed, sick, widowed, aged and others into one undifferentiated and inevitably stigmatised category.*<sup>54</sup>

The effect of encouraging people who can afford alternatives to use them, and reserving public services for the poorest, may well be to reinforce social inequalities, and the exclusion which they imply.

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<sup>53</sup> JOSEPH ROWNTREE FOUNDATION, *op. cit.*, 1995, p. 34.

<sup>54</sup> P. TOWNSEND, *Sociology and Social Policy*, Harmondsworth: Penguin, 1976, p.126.