

Explaining the abolition of the wage stop in the UK

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Abstract

Before the introduction of the household benefit cap in the UK in 2013 the previous mechanism that limited the income of social assistance recipients was the wage stop, operating for four decades between 1935 and 1975. Similar to the benefit cap, the wage stop reflected and reproduced concerns with incentivising unemployed people to labour. This raises questions about why the wage stop was abolished in the mid-1970s when worries about unemployment continued, particularly its intersections with out-of-work benefits. It is widely argued that the abolition of the wage stop was a consequence of lobbying by the Child Poverty Action Group. Drawing upon records held at the UK's National Archives, this article argues that this is an over-simplified explanation that, first, ignores concerns with the wage stop that pre-dated the Child Poverty Action Group's criticism of it, including concerns within the assistance boards with its administration. And, second, while by the mid-1970s there was (albeit ambiguous) concern with the impacts of the wage stop, there was a shift in approach that emphasised the supplementation of low wages with social security benefits, rather than forcing social assistance below the assessed needs of households, as being a preferable means of ensuring the incentive to take wage-labour.

Key words: benefit restriction; poverty; social security; wage stop; unemployment assistance

Introduction

In 2013 a household benefit cap (HBC) was introduced in the UK. It restricts the benefit income of unemployed people to levels below the assessed needs of households. Initially, this level was set at average wages, but was lowered even further in November 2016. The HBC has driven benefit-restricted households further into poverty and disproportionately affects lone mothers and minority ethnic families (Sandhu, 2016; Lammastniemi, 2019). It was justified by the Conservative-led Coalition government introducing it as a means of affecting behavioural change among unemployed people by making them more responsible, especially increasing their incentive to do wage-labour (Minister for Welfare Reform, Lord David Freud, House of Lords Debates, 2011). The idea that financially supporting people when unemployed disincentivises them from labouring was, of course, not new. It is a fundamental concern that has existed since the development of collectively provided forms of poverty relief for unemployed people.

This article focuses upon the previous policy in the UK that restricted social assistance to levels below assessed needs. This was the wage stop, which operated for four decades between 1935 and 1975. While the HBC restricts benefit income (not just social assistance) to a politically-defined level, the wage stop restricted unemployment assistance and, later, social assistance, to the wages it was expected that unemployed claimants would receive when they (re)entered wage-labour. Like the HBC, the wage stop's roots were in principles of 19th century poor relief. The wage stop survived though, into the 'golden age' of the post-WWII welfare state that was supposed to have abolished the poor law. The reasons for this relate to the importance placed upon maintaining work incentives both in the poor law and Beveridge-informed social security. The Beveridge (1942) report said nothing about the wage stop, a reflection of three inter-related issues: the inconsistency between the idea of

providing a national minimum and paying inadequate out-of-work benefits that might be below the minimum if wage-stopped; Beveridge's belief that Family Allowance would be social security's way of incentivising unemployed people to labour, and his view that social assistance would wither post-WWII. The second and third of these proved not to be prophetic – social assistance recipient numbers increased, and family allowance was so neglected it was described by Walley (1972) as being one of the UK's social security 'failures'. The tensions between incentivising wage-labour and ensuring households had an adequate out-of-work income continued in the context of the dominance of neo-classical economics that suggested wages should only be related to the productive value of the individual worker, and not, for example, to their family size. The continuation of the wage stop post-WWII supports Thane's (2000, p. 100) view that social security after the second world war 'was closer to the spirit and practice of [the UK's] deeply rooted poor law tradition' than is recognised.

Furthermore, with the wage stop *in situ* pressure to increase family allowance as a work incentive measure was reduced and increasing numbers of unemployed social assistance claimants post-WWII suggested a continuing need for the policy to disincentivise unemployment. For unemployed social assistance recipients the wage stop was deemed to be *the* measure for ensuring they were incentivised to do wage-labour at prevailing pay levels. Hence, as Ginsburg (1979) notes, the wage stop was central to the regulation of wages in social security's role in the reproduction of the reserve army of labour. Ginsburg's observations are important because they point to the ways in which capitalist imperatives are embedded in the policies and mechanisms of the welfare state. However, they also raise the question of why policies change when capitalist interests, such as the need for unemployed people to be incentivised to labour, do not. This is particularly pertinent in the case of the wage stop, the abolition of which was being discussed in the 1970s when unemployment was

high compared to the 1950s and 1960s (Hatton and Boyer, 2005). This article, therefore, explores the reasons why the wage stop was abolished at a time when maintaining labour discipline through financial work incentives was still a pertinent policy issue.

To do this the author examined the content of 75 files held at the UK's National Archives. They were identified through keyword searches, including 'wage stop', 'benefit limit', 'total income limit' and combinations of 'work', 'incentives', 'disincentives', 'assistance', 'benefit', 'Child Poverty Action Group' and 'social security'. The searches were limited to the years between 1920 and 1990 and produced 'hits' that included records of the 'core executive', including cabinet minutes and papers, and correspondence between ministers and between them and the prime minister, and 'lower level' records of primarily the then Department of Health and Social Security (DHSS), HM Treasury and the Supplementary Benefits Commission (SBC).¹

The wage stop and wage-labour incentives

Between WWI and WWII a combination of stagnantly high unemployment – averaging 14 percent and rising to 22 percent in the early 1930s (Eichengreen, 1986) – and political concern with potential discontent if large numbers of unemployed people were forced to claim poor relief, led to the extension of unemployment benefits to people who had exhausted their entitlement to it (Davison, 1938). Across the 1920s and into the 1930s governments introduced various allowances payable to insured workers, mostly and to varying degrees, on a means-tested basis (uncovenanted benefit, extended benefit, transitional benefit and transitional payment). These payments, Davison (1938) argues, brought the social insurance fund to near bankruptcy. It was £100 million in debt by the early 1930s and 'still borrowing.' (Davison, 1938, p. 8)

Actuarially this was problematic, but such benefits were also deemed to be a problem because of their embeddedness in the politics of central/local government relationships. Unemployment insurance was a nationally-based scheme, and unlike poor relief (and from 1930 its locally-authority administered replacement, public assistance), was paid at a standard rate. In contrast, discretionary forms of unemployment benefit were more akin to poor relief as the level of support and the means-test governing the amount of assistance paid varied. Lynes (2011) argues that while such differences were administratively and politically tolerable if the funds to pay such relief were raised locally (as they were for public assistance), they were not when the funds were raised centrally. By 1931 the Treasury was responsible for funding non-contributory unemployment assistance. In this context, local difference and inconsistencies could not be tolerated. The argument was that locally-based schemes had little interest in economy if central government was funding them.

A consequence of such concerns was the introduction of means-tested unemployment assistance (UA) in 1934. This was to be overseen by a new body, the Unemployment Assistance Board (UAB) that would take responsibility on a national level for those people receiving Public Assistance Committee (PAC)-administered transitional payments and for able-bodied people who were receiving public assistance. Davison (1938, p. 41) describes the UAB as ‘a new kind of Poor Law which was intended to deal more... acceptably with poverty arising from unemployment as a special class.’ What he meant by this was that while one of the aims of the UAB was to address the stigma associated with poor relief, it was nevertheless a destitution authority responsible for administering means-tested relief to claimants who were destitute as a consequence of unemployment. Disabled poor people continued as the responsibility of PACs.

This view of the UAB as a destitution authority and responsible for administering a new form of poor relief (unemployment assistance) is important in understanding the wage stop, for its introduction was linked to principles of the extant system of poor relief. Elks (1974, p. 60), for instance, argues that the wage stop can be ‘traced back to the Poor Law Commissioners of 1834 and their rule of “less eligibility.”’ This was the idea that the situation of the pauper ‘on the whole shall not be made really or apparently so eligible as the situation of the independent labourer of the lowest class’ (Checkland and Checkland, 1974, p. 335). Elks’ (1974) argument was correct, but limited, because ‘less eligibility’ was not the only poor law principle to shape the wage stop. It was also embedded in the principle that poor relief should not be paid to people in full-time wage-labour because, it was argued, it would disincentivise labouring poor people from working to increase their wages and encourage employers to reduce wages (Checkland and Checkland, 1972). In the operation of the wage stop this principle linked the concern with incentives to do wage-labour with considerations of ‘fairness’ between poor groups; that if people who were in low paid full-time work were unable to have their wages topped up by poor relief to help relieve their poverty, it would be inconsistent to pay them more in unemployment assistance when unemployed.

In practice, it was difficult to ensure less eligibility because of the immiserated condition of the poorest labourers and ambiguities in the law (Grover, 2016). Nevertheless, it was clear that ideas framing poor relief from a hundred years earlier were at the forefront in informing the general development of UA and the role of the wage stop in it. So, for example, Minister of Labour (Henry Betterton) emphasised that while in the Unemployment Bill, 1934 the term ‘subsistence allowance’ could be used, he did not want the impression created that

only relief in cash could be given. In contrast, he emphasised forms of support familiar in poor relief and public assistance, including in-kind support, relief on loan, admission to the workhouse and ‘maintenance at a reconditioning or training centre’ could be used by the UAB.2

George Reid (then Secretary at the Ministry of Labour and later member of the UAB) outlined to the Treasury:

Whatever scale is laid down, which is likely to meet with approval, it will be almost bound to happen that its automatic application to some applicants would result in their being better off, or almost as well off, as they would be if in work. ...it is preferable that the Regulations should deal with the subject frankly. No doubt it will evoke criticism. It must be remembered, however, that a person is not eligible for an allowance if he [sic] is in full time employment, no matter how meagre his wages are. If there is no power to supplement full time earnings it would be inconsistent to pay more than those earnings by way of allowance when the employment fails.3

This argument – later described as the ‘principle of “equal misery”’4 – was an accurate assessment, because, and as a consequence of economic orthodoxy, of the limited number of ways in which low paid labourers could be incentivised to work. The alternative, for example, of increasing wages through regulation beyond a small number (around 50) of particularly badly paying industrial sectors was not particularly acceptable to either capital or trade unions. And the potential role of non-means-tested benefits (e.g. family allowance) having such a role was some years away from being accepted by policy makers (Grover, 2016).

While Reid avoided the use of ‘less eligibility’ in the above quote, other members of the UAB did not. Its Secretary, Wilfred Eady, for instance, noted that in setting levels of UA “consideration had been given to the best method of expressing the doctrine of ‘less eligibility.’”⁵ That consideration took two forms – setting the level of scale rates and the development of the wage stop. Eady noted that less eligibility had informed UA’s scale rates by ‘try[ing] to produce… rates under which, for the ordinary family of man, wife and 3 children… the allowance would be below net wages without having to call into operation the [wage] stop clause.’⁶ In this regard, the wage stop was held to work as an alternative to the various approaches taken by PACs to restricting allowances so as not to be too comparable to wages. Some PACs, for instance, used a standard limit beyond which they would not pay relief. Others related maximum payments to the wages of under-valued (‘unskilled’ or ‘general’) labourers.⁷

For families with more than three children the wage stop, and the ‘supercut’ would act to ensure that households would not receive more in UA than in wages. The ‘supercut’ was a reduction in UA of a shilling a week per household member in excess of four (Lynes, 2011). It was, however, short-lived, being abolished following social protests about rates of unemployment assistance in the early months of 1935 and the introduction of the Standstill Act 1935 that forced the UAB to pay whichever was higher of its scale rates or those paid by local PACs (Miller, 1979).

Section 6 of the Unemployment Assistance Board’s regulations noted that ‘the final assessment [of assistance] must, if necessary, be reduced so that it does not equal or exceed… earnings.’ (Minister of Labour, 1935, para. 105). Two mechanisms ensured UA was paid

below expected wages. First, the wage for wage stop purposes was reduced by nominal deductions for national insurance contributions and work-related expenses. Second, an ‘appropriate adjustment’ was made so that the allowance would be less than wages net of national insurance and expenses. In the late 1930s the ‘appropriate adjustment’ was to ensure that UA was 2-3 shillings a week below potential wages. This could be ‘reasonably increased where the applicant is known not to be availing himself of opportunities of employment.’

(Minister of Labour, 1938, p. 22) By the early 1960s it was felt that such ‘incentive’ margins should be 7-8 shillings per week.⁸

From the outset, the wage stop was morally and administratively difficult. The UAB, for instance, acknowledged that it ‘must invariably impose some degree of hardship on applicants affected by it, and in many cases the operation of the wage stop must either result in malnutrition or constant recourse to sudden or urgent need.’ The administrative creation of such hardship, however, was justified by the UAB by reference to the absence of relief payable to people in wage-labour. For low paid labourers hardship ‘would also be inevitable if the applicant were at work.’⁹ Administratively, the main difficulties were establishing the wage at which UA should be stopped and what to do if a household was living in hardship because of the wage stop’s operation. Consequently, it was recognised that cases involving the wage stop were ‘probably more so than any other...a source of doubt and difficulty.’¹⁰ Nevertheless, it operated for four decades, reducing the social assistance of tens of thousands of households (peaking in the early and late 1960s), to incentivise the wage-labour of low paid workers. Why though, was it abolished when work incentives continued to be of concern to governments and successors to the UAB?

The Child Poverty Action Group and the wage stop

The main reason for the wage stop's abolition is argued to be the pressure exerted by the Child Poverty Action Group (CPAG), which in 1966 'took... to task' then Secretary of State for Social Security, Peggy Herbison, 'for the continued abuses suffered by many claimants subject to the wage-stop' (McCarthy, 1986, p. 46). Whiteley and Winyard (1983, p. 12), note that the CPAG made a 'significant contribution' to the abolition of the wage stop. And Stuart Weir, who became the CPAG's Citizens' Rights Office director in 1971 argues that its 'greatest success' was the wage stop's abolition (Thane and Davidson, 2016, p. 31). This idea was undoubtedly fuelled by the Secretary of State for Social Services, Barbara Castle (House of Commons Debates, 1975, col. 340), who on announcing the abolition of the wage stop paid 'special tribute' to the CPAG for campaigning for its abolition for nearly a decade.

The CPAG's anti-wage stop campaign was embedded in many of the issues that informed its creation (Banting, 1979; McCarthy, 1986), including, in addition to a concern with the impacts of child poverty, disquiet that the Labour Party was not doing enough to address poverty and that there was a lack of firm (quantitative) data about poverty. Banting (1979, p. 69), for instance, suggests mechanisms such as the wage stop 'provided indirect hints of the problems facing low-income families.' In 1966 the CPAG demanded the wage stop's abolition because, rather than reducing poverty, it condemned thousands of families to live in "statutory poverty" (CPAG cited in McCarthy, 1986, p. 46). In this context, the CPAG highlighted the wage stop's role in a much larger problem of families living on incomes below their relevant social assistance rates (McCarthy, 1986), a claim confirmed when the Ministry of Social Security (1967) estimated there to be 500,000 families whose incomes were lower than had they been claiming social assistance. This included 160,000

families whose incomes was lower than social assistance because of the wage stop, or, much more likely, they were in full time work and, therefore, unable to claim social assistance.

Lowe (1994, p. 607) argues that the CPAG's anti-wage stop campaign was part of its broader aim to 'humanise' the NAB/SBC. This is consistent with McCarthy's (1984, p. 77) observation that Richard Titmuss (the vice-chair of the SBC, 1968-1973) saw pressure groups, including the CPAG, as having a 'supportive role' in helping the SBC 'in attacking selected problems for mutual benefit.' This argument, however, is difficult to sustain in its application to the wage stop because Titmuss supported its principle, particularly for people 'temporarily outside of the labour market'¹¹ and was angered by criticism of it coming from the CPAG and other academics (Ellison, 1994; Stewart, 2020).

Nevertheless, and while it did not suffice the CPAG's demand that the wage stop should be abolished, its campaign resulted in part to a SBC review of the wage stop, the result of which was published as *Administration of the wage stop* (SBC, 1967). This led to concessions that the SBC argued would ease the impacts of the wage stop on the poorest households (discussed below). Lowe (1994), however, argues that the consequence of its anti-wage stop campaign contributed to a period of disillusion with both the impact (the wage stop still existed) and the strategy (a Fabian approach) within the CPAG. It moved on to other campaigns (Field, 1982), but its concern with the wage stop continued periodically, for instance, through evaluations of the 1967 changes and its continuing impact upon poor families (Lister, 1972; Elks, 1974).

At least at first glance, the case for the abolition of the wage stop was boosted in 1974 when architects of the CPAG's 1960s campaign to abolish it were appointed as advisors to

Barbara Castle on her becoming Secretary of State for Health and Social Services. It would, however, be a mistake to overstate the impact of these appointments. Castle may have acknowledged the CPAG's campaigning around the wage stop and the CPAG had, albeit intermittently, kept the wage stop in the public's and politicians' eyes, but discontent with it did not start with the CPAG's campaign and it was not the only source of concern with it.

Developing concerns with the wage stop

Despite the problems with the wage stop noted above, for the first three decades of its operation it was remarkably uncontroversial. It is indicative, for example, that while in the 1930s the introduction of UA proved particularly controversial, the development of the wage stop did not. Popular resistance forced the then National Government to adjust its scale rates, but both the principle and practice of the wage stop essentially went unquestioned. This may be explained by both the relatively low numbers of households that were wage-stopped, estimated to be about 1 percent of UA cases in 1937 (extrapolated from Minister of Labour, 1938), and the fact that wage stop-type mechanisms were familiar in public assistance predecessors of UA.

It was not until the early 1960s that the wage stop was to be publicly and politically scrutinised in the context of increasing numbers of wage-stopped households (the number quadrupled from the late 1950s to 1963). Several newspapers, for example, ran articles in February 1963 on the ways in which the wage stop operated to the disadvantage of low paid workers and the households for which they provided (*The Guardian*, 1963; *The Times*, 1963). A couple of weeks later what Pratt (1988) argues was the first post-WWII parliamentary exchange about the wage stop took place between then Parliamentary Secretary to the Minister of Pensions and National Insurance, Margaret Thatcher and future Secretary for

State for Health and Social Services, Barbara Castle. Castle was concerned about the consistency of the wage stop with the prevention of child neglect encapsulated in the Children and Young Persons Bill, 1963. Thatcher's response was that the two were consistent because the increasing number of wage-stopped households was a consequence of increases in national assistance scale rates in the 1950s (House of Commons Debates, 1963), ignoring the fact that for low paid workers the wage stop negated increases in assistance .

A further exchange between Thatcher and Castle in April 1964 is described by Pratt (1988, p. 8) as being the first-time post-WWII in which there was an 'emergence of a clash of ideology' between the Conservatives and Labour in relation to the wage stop. When wages were low, Castle argued, the wage stop could not be reconciled with the humane treatment of low paid workers. Thatcher was of the view that it was 'fairly clear...that the Labour Party, if it were to be returned to office would pay a man more when he is out of work than he would get if he returned to work.' (House of Commons Debates, 1964a, col. 924) Generally though, the focus was upon the operation of the wage stop, rather than its principle. In the first half of the 1960s Opposition Labour MPs, for instance, tried to elicit more generous treatment of wage-stopped households (Pratt, 1998), concerns, albeit less frequently, that were also expressed by Conservative MPs. Charles Curran, Conservative MP for Uxbridge, for instance, had no objection to the wage stop being applied to childless households. However, using arguments similar to those that would, in part, frame its abolition in 1975, he expressed concerns that large families were being penalised and that the 'loafer' was being clamped down upon 'at the expense of his children.' (House of Commons Debates, 1964b, col. 332)

Once in government from 1964, Labour did not question the principle of the wage stop. The reasons for this were rooted in orthodox political economy. The Minister of

Pensions and National Insurance, Peggy Herbison, for instance, argued that the wage stop was a consequence of the ‘very low wages paid in some parts of the country, which was a matter for the trade unions.’ (House of Commons Debates, 1964b, col. 342) Later, Charles Loughlin (Parliamentary Secretary at the Ministry of Social Security) argued that while abolition of the wage stop was unlikely to lead to workers ‘downing their tools,’ it would lead to a ‘growing bitterness and disillusion.’ This, Loughlin argued, had the danger of eroding working class support for social security, if the government had to ‘set about paying more money to people out of work than those in work.’¹² This line of argument continued into the 1970s, with, for example, Under-Secretary of State for Health and Social Security, Alec Jones, suggesting to parliament in 1972 that low paid workers would resent the abolition of the wage stop (House of Commons Debates, 1974).

The CPAG’s anti-wage stop campaign, therefore, faced orthodox opposition to abolishing the wage stop, along with a communitarian inflection that emphasised a need for the wage stop to be preserved to maintain societal support for social security provision. The detrimental impact of the wage stop upon poorly paid workers and their families was, however, understood in the assistance boards before the CPAG’s campaign. The CPAG brought academic respectability to critiques of the wage stop – although this was derided by some for not understanding or ignoring the principles in which out-of-work benefits were embedded. So, for example, the CPAG’s argument for relieving poverty among working families was criticised for undermining the ‘Speenhamland’ principle of not relieving the poverty of people in full time work and not paying people when they were unemployed more in benefit income than they would receive in wages.¹³ The CPAG’s arguments, however, were not particularly new, having, for example, been reported in the press several years before it was set up. That reporting contributed within the assistance boards to disquiet about

its use and impacts, which were rooted in the tensions that the wage stop had held for them since its introduction.

The social assistance boards and the wage stop

Following adverse media coverage of the wage stop in 1963 the Secretary of the NAB (Donald Sargent) noted that ‘for the first time, I believe since the war an attack on the Board seems to be developing about the wage stop clause’ (cited in Veit-Wilson, 1999, p. 121). The invidious position of the NAB was summed up by Sargent: ‘Necessary as the wage stop is, we cannot but feel very unhappy at restricting a family’s income to some pounds below what, according to our scales, it should be.’ (cited in Veit-Wilson, 1998, p. 121)

Despite such concerns, there was little appetite in both the NAB and governments for the wage stop’s abolition. Its impact forcing households with children to live on incomes below the lowest level of social assistance was undesirable. At the end of 1959 70 percent of unemployed fathers who had four or more children were wage-stopped, as were a third (30 percent) who had three children and 1:7 (14 percent) of those with two children.¹⁴ However, the deemed necessity of the wage stop to incentivise wage-labour and the potential political difficulties of not supporting such a position made these impacts unavoidable. Nevertheless, a combination of an increasing number of wage-stopped households, critiques of its operation (including that of the CPAG), and to a lesser extent, discussion of related policy developments encouraged NAB and government interest in the wage stop’s implementation and impacts at a local level.¹⁵ Given the continuing importance placed on the principle of the wage stop in maintaining work incentives, the main focus in the early 1960s was upon how its operation might be tempered by more closely focusing upon the circumstances of individual workers and ensuring the accuracy of the calculation of the level at which

assistance was wage-stopped¹⁶ and, later in the decade, on less individualised approaches where it could not be established at what amount assistance should be stopped (SBC, 1967).

The separation of the principle and operation of the wage stop was perhaps best demonstrated by an extension of its principle in the ‘benefit ceiling’, introduced in 1966 as a means of restricting national insurance-based unemployment and sickness benefit to no more than 85 percent of weekly earnings (Micklewright, 1985). The following year, and as noted above partly as a consequence of ‘public concern’ with the wage stop’s operation, including that raised by the CPAG, the wage stop was modified via a review of its operation by the SBC (1967).

According to Lynes (1967, p. 361), the SBC’s report of this review ‘paint[ed] a harrowing picture’ of the lives of wage-stopped families. In a jibe at the CPAG, however, the SBC claimed that the wage-stop did not cause family poverty. In an argument, which was seen above, to have been deployed in regard to the wage stop, both at its inception and earlier in the 1960s, the SBC (1967, para. 8) noted that the wage stop was a ‘harsh reflection of the fact that there are many men [sic] in work living on incomes below the Supplementary Benefit standard.’ In other words, it was a consequence of wage structures, the orthodoxy of which the Wilson-led Labour government was unwilling to challenge. It, for instance, rejected a minimum wage as too blunt an instrument to address family poverty.¹⁷ To the CPAG this argument was merely an attempt to deflect criticism and blame the economic system, rather than taking responsibility for the problem (McCarthy, 1986).

Nevertheless, the *Administration of the wage stop* (SBC, 1967) suggested changes that were argued to alleviate the wage-stop’s ‘less eligibility’ thrust by reducing assistance to

the level of, rather than below, expected earnings. The main changes included the removal of deductions for nominal work-related expenses that drove social assistance below assumed wages. More important, however, was the introduction of a national standard wage – the National Joint Committee for Local Authorities' (NJCLA) wage for manual workers – at which social assistance would be stopped where the wage an assistance recipient might earn could not be established. For the SBC this development was important for three reasons. It provided a means of defending the principle of the wage stop by ensuring 'reasonable justice' for recipients and 'save[d] a good deal of work' for local offices. It was also held to be an approach in which the SBC could have: 'Greater confidence in defending and explaining' because it was a wage 'paid by good employers, negotiated with representatives of employees and kept under regular review'.¹⁸

The changes, however, did not assuage demands that the wage stop be abolished coming particularly from the CPAG (Lister, 1972; Elkes, 1974), but they did buy time to see if the changes made in 1967 had a material difference on wage-stopped households. The wage stop's survival, however, was not guaranteed and perhaps the most influential view in the early 1970s that it should be abolished came not from outside the SBC, but from its own staff.

The administrative burden of the wage-stop

It was seen above that administratively the wage-stop was problematic from the outset, and that the move to standardising the wage at which assistance might be stopped from 1967 was argued to reduce demands in its administration. This was particularly important because the Social Security Act 1966 extended the mandatory application of the wage stop to sickness-related assistance claims (previously it had been discretionary). In this context, concerns with

the administrative burden of the wage stop led in 1973 to SBC workers to suggest it should be abolished to the Joint Working Party on Simplification of Local and Regional Offices,¹⁹ a group that was set up in the context of the programme to combine Ministry of Pension and Ministry of National Assistance offices following the creation of the Ministry of Social Security in the late 1960s (c.f. Holdaway and Partridge, 1981). The concern was the disproportionate impact of the wage stop on administering supplementary benefit. By the time the working party was considering the wage stop in the autumn of 1973, the number of wage-stopped households was falling, primarily because of the changes ushered in by the SBC's (1967) report, *The Administration of the wage stop*. The then 9,000 wage-stopped claimants represented three percent of unemployment assistance recipients. They were, however, the tip of the iceberg of local office work on the wage stop, for every unemployment and sickness-related assistance application had to be considered in relation to it, work that in the vast majority of applications was 'entirely unproductive' as the wage stop was never applied.²⁰ Hence, it was questioned 'whether this volume of abortive activity can any longer be justified for the purpose of effectively limiting the standard of living of the few cases which do remain wage stopped.'²¹ This argument, the 'procedural case' for the wage stop's abolition was resisted by some in the Department of Health and Social Security who essentially argued that the 'less eligibility' principle should not 'be abandoned because it is too much trouble.'²²

Despite the administrative burden of the wage stop, the joint working party did not recommend its abolition because it felt such a development had 'far reaching' implications, including the possible introduction of a minimum wage set 'slightly above' supplementary benefit levels.²³ Abolishing the wage stop was also argued to be inconsistent with the ideas of the Heath-led Conservative government.²⁴ Rather than statutorily abolishing it, a better

strategy was felt to be to ‘allow it to wither away’²⁵ through the introduction of the Conservative’s Tax Credit proposal. Had it been introduced, it would have replaced the personal tax allowance and alleviated the ‘poverty trap’ (Sloman, 2016). This suggested approach can be read as continuing what had been happening since the 1960s when the NJCLA was used to calculate levels at which assistance was wage-stopped and other benefits were introduced that either supported only low paid workers (family income supplement) or poor people generally, including those in wage-labour (domestic rate and rent rebates).²⁶

Although FIS began as a measure concerned with the poverty of households whose wages were below their social assistance level, by the time of its introduction in 1971 it had been transformed into a work incentive measure, designed to encourage the very poorest paid to take or remain in wage-labour (Grover, 2016). Domestic rate rebates were introduced in 1966 as a stop-gap measure to provide relief for what Dick Crossman (Minister of Housing and Local Government, House of Commons Debates, 1965, col. 43) described as the ‘harshness and injustice’ of an ‘inherently regressive system’ of rates. Introduced in the Housing Finance Act, 1972 rent rebates were a replacement for voluntary schemes that had existed since the 1930s and helped protect tenants from the ‘fair rent’ provision of the 1972 act aimed at shifting the financing of council housing from ‘bricks and mortar’ to individuals.

Despite arguments to the contrary, there was no evidence at the time when the wage stop’s potential abolition was being discussed that any of these measures provided much of an incentive to labour. Given the closeness of the introduction of all these policies to that time; the fact that the rebates were designed primarily to address issues outside of wage-labour (the costs of rates and rents) and the very modest nature of FIS, this was not surprising

and suggests that in social security policy it was primarily argument, rather than evidence, that continued to inform developments in the mid-1970s.

Shifting positions of the assistance boards

In separate developments the efficacy of keeping the wage stop, continued to be questioned at the SBC, driven by concerns – disputed by the DHSS – with its operation. While Titmuss had supported the principle of the wage stop, to the chagrin of the of the DHSS (officials felt that he was too focused on the impacts upon just supplementary benefit),²⁷ his replacement at the SBC, David Donnison, was more critical. He argued that the diswelfares caused by it outweighed potential reasons for maintaining it.²⁸ The SBC though, was divided upon what to do about the wage stop. Some of its members thought that supplementary benefit ‘should not discriminate against families who had the misfortune to have lower income from the wage-earner’s employment than their supplementary benefit requirements and they considered that it was wrong for the Commission to have to bear the odium of the wage stop.’²⁹ Donnison was of this view. Others, reflecting the SBC’s 1967 position in the *Administration of the wage stop*, thought it was a ‘regrettable but necessary reflection of the fact that many people were unable to earn as much as their supplementary benefit entitlement, particularly if they had a large family.’³⁰

Despite later claims (Weir in Thane and Davidson, 2016, p. 21), that the SBC’s chair Harold Collison wanted the wage stop abolished, he, in fact, appeared to be more equivocal, being concerned by Olive Stevenson’s (the SBC’s former social work adviser) argument that on the abolition of the wage stop claimants ‘would face the dilemma whether to continue in work or to obtain a higher income for their families by claiming supplementary benefit’. Collison supported improved family support, rather than the abolition of the wage stop.³¹

The SBC agreed, however, that the Secretary of State should be informed that it felt the wage stop should be abolished when possible. In the meantime, and consistent with the Joint Working Party on Simplification of Local and Regional Offices' approach, it would look for further ways to remove people from its operation.

Ministers were advised that while 'not without substantial practical and presentational difficulties,' the wage stop should be abolished.³² It was argued that such a development could be made palatable if accompanied by an extension of/increase in family allowance (what was to become child benefit, but at the time was called 'child endowment'). As was argued, this would help provide support to a much larger number of households whose wage income was below their relevant supplementary benefit level,³³ and in a Beveridgean sense it would help reinforce work incentives for this larger group of low paid workers. This was important because by this time it was being argued by some members of the NAB that 'less eligibility'-type work incentive arguments for the wage stop had been lost³⁴ and it was denied by some in the Ministry of Social Security that it ever had such an effect.³⁵ In addition, there was a feeling, often among local office staff, that a consequence of the changes following the publication of the *Administration of the Wage Stop* wage-stopped households were already receiving more in social assistance than they could ever hope to earn.³⁶

Addressing political concerns

Social security ministers agreed that the political situation made the wage stop's abolition difficult. Minister for Social Security, Brian O'Malley, for instance, was mindful of the forthcoming second general election of 1974. The government, he told Barbara Castle, "should not consider abolition before the election (assuming it comes in the autumn) in view

of the ‘anti-scrounger’ campaign which I have warned you is again getting some comment on.”³⁷ O’Malley was commenting on the period following the *Report of the committee on the abuse of social security benefits* (Secretary of State for Social Services and Secretary of State for Employment and Productivity, 1973) and was conflicted by the wage stop’s proposed abolition. On the one hand, following the 1974 autumn general election he was still acutely aware of politically difficult presentational issues: that in abolishing the wage stop the Labour government risked ‘being criticised for “encouraging scrounging”’ and creating a situation where it will pay more people not to work.³⁸ On the other hand, his moral concern with the wage stop – that there were ‘strong humanitarian grounds for lifting the extra burden from the very small remaining group of hard-pressed families’³⁹ – helped inform his objection to the idea that precaution against people who might ‘abuse’ social assistance should fall on those families. In contrast to the wage stop, O’Malley accepted the argument that it was family allowances, rather than entitlement to social assistance, that should ensure ‘the families of low wage-earners are not worse off when the father is at work.’⁴⁰ Under-Secretary of State for Health and Social Security, Alec Jones, eloquently summed up the argument in parliament: ‘The answer to the problem [of the wage stop]... lies ultimately not in reducing the benefit of the family which is living on supplementary benefit, but in increasing the income of men at work,’ which included ‘better measures of family support.’ (House of Commons Debates, 1974, col. 2084)

In attempting to balance the moral and political O’Malley argued that it should be possible to disarm opposition to the abolition of the wage stop by allowing its reimposition through regulation. He was, however, disabused of the efficacy of trying to manage potential opposition through such a means by his adviser who argued that ministers would be questioned about the circumstances in which they thought the wage stop would be reimposed,

none of which would be favourable to the government.⁴¹ In addition, his adviser was fearful that some government supporters might think that if the Secretary of State could reimpose the wage stop it was being made ‘too easy for a different administration to re-introduce’ it.⁴² As it turned out, the reintroduction of a new benefit restriction (the HBC) via primary legislation occurred with relatively little political opposition. The Labour Opposition agreed with the principle, if not detail, of the HBC (Liam Byrne, Shadow Secretary of State for Work and Pensions, House of Commons Debates, 2012) and the wage stop was mentioned only once by the Labour Opposition (Kate Green, Shadow Minister (Women and Equalities), House of Commons Debates, 2015) in parliamentary debates about the HBC.

The wage stop was abolished in the Child Benefit Act, 1975. Despite reservations about using this act to do so, it symbolised the dual role of family allowances in both financially supporting people living in in-work poverty and reinforcing work incentives. In brief, the abolition of the wage stop in the 1975 act did not denote the end of concerns with work incentives, but emphasised an alternative way of addressing them. Rather than reducing the social assistance of the poorest households below the level of their assessed entitlement, the income of working people would be increased. For all working people with dependent children, this was to be via increasing and extending family allowance through the introduction of child benefit. In addition, the poorest working people’s wages were to be supplemented via family income supplement and various locally-based rebates to local taxation and rents, which could also be claimed by poor workless people.

The wage stop’s abolition, therefore, did not indicate a loss of concern with work incentives. Reflecting this, despite a suggestion for the wage stop’s abolition coming from SBC local offices workers earlier in the 1970s, there was a continuing belief among many of

them that unemployment assistance claimants were often better off on benefit than in work. As a consequence and to address such concerns, six months after wage stop's abolition, the SBC informed regional controllers of the point at which it financially paid for workless people to be in wage-labour.⁴³ Three years later the DHSS commissioned a longitudinal study of unemployment. It partly focused upon work incentive issues (Clark, 1978) and was conducted in a broader social security policy environment to which concerns with such issues were central (Grover, 2022).

Conclusion

In many senses, this article provides salutary reading, for it points to the fact that the four decades between the abolition of the wage stop and the introduction of the HBC in 2013 were an exception in the *longue durée* of poor relief and social security benefit restrictions, albeit using various policy devices. A combination of administrative and ideological factors led to the wage stop's abolition in 1975, issues that began to emerge about three decades into its operation. They came from outside of its administering bodies, particularly, although not exclusively, from the CPAG, and from within, most notably a concern from the early 1960s with assistance boards' unenviable position of legally being expected to restrict the incomes of the poorest out-of-work people to below their assessed needs, and, from the 1970s, and following the mandatory extension of the wage stop to short-term sickness cases, a concern with its administrative burden.

These factors undoubtedly combined with a concern among Labour ministers in the 1970s with the social injustice of using the wage stop to enforce work incentives. However, even wage stop abolitionists in the 1974-1979 Labour government felt a political unease with its abolition, and, therefore, it was combined with the introduction of child benefit, which

emphasised and reinforced a commitment to work incentive measures and through which it was possible to argue that support was being provided to a broader constituency than just the very poorest workers.

The wage stop and child benefit can, therefore, be understood as policy embodiments of the fundamental need of capitalism for an incentivised labour supply. While in contemporary society critics of the HBC seek to highlight the moral argument of its role in reproducing what the CPAG described in the 1960s as ‘statutory poverty’ in relation to the wage stop, they neglect this fundamental political economic point (Patrick *et al.*, 2021). Arguably, however, it is this issue that needs to be addressed through a decoupling of social assistance (and social insurance benefits) from work incentives if the poverty of working age people and their families is to be successfully and consistently tackled in the UK through social security policy. As the abolition of the wage stop and the reintroduction of a benefit restriction in the guise of the HBC demonstrate, the continued embeddedness of social security for working age people in more recent versions of ‘less eligibility’ means that today’s and future generations are, and will be, adversely affected by benefit restrictions that entrench their poverty, rather than relieving it.

Notes

1. An arms-length government-appointed body responsible for administering supplementary benefit. It was introduced in 1966 as a replacement for the National Assistance Board (which had existed since 1948) when national assistance was replaced by supplementary benefit.
2. Minister of Labour to Minister of Health, 2/8/1933, NA HLG/30/5.

3. Ministry of Labour to HM Treasury, 25/6/1934, NA AST/7/36.
4. *The Wage Stop. A Reappraisal*, SBC, April 1974, NA AST/36/1439.
5. UAB 4th meeting, 23-25/7/1934, NA AST/12/15.
6. Unemployment Assistance Board, 6th Meeting, 13/9/1934, NA AST/12/15.
7. UAB 4th meeting, 23-25/7/1934, NA AST/12/15.
8. Wage Stop Circular, 01/1436, 25/2/1963, NA AST/7/1783.
9. Internal memo, 16/2/1937, NA AST/7/199. Sudden or urgent necessity were elements of unemployment assistance that allowed discretionary support in situations of unexpected or exceptional need.
10. Internal memo, 16/2/1937, NA AST/7/199.
11. *Supplementary Benefits Commission, Minutes of tenth meeting*, 27/9/1967, para. 7, NA AST/23/3.
12. To Labour MP John Hynd, 20/5/1968, NA BN/89/142)..
13. Internal Memo, Home Office, 4/1/1966, NA/BN/29/2909.
14. *The “wage stop”, family allowance, and the incentive to work*, Ministry of Pensions and National Insurance, para. 2, March 1963, NA LAB/10/2081.
15. In 1961 a report was produced on the use and impacts of the wage stop in three local offices (Norris Green in Liverpool and Southside and Parkland in Glasgow) (NA PIN/47/160); in 1964 314 wage-stopped cases were examined for a report to help inform discussion of the introduction (eventually rejected) of a minimum wage (NA LAB/10/2081) and in 1967 the circumstances of 51 wage stopped families informed the SBC's report, *The Administration of the Wage Stop* (NA AST/36/751).
16. *Wage Stop Circular* 01/1436, 1963, NA AST/7/1356.
17. An outline of the Working Party on National Minimum Wage's deliberations is in NA LAB/10/2516.

18. SBC memorandum 36, para. 11, 1967, NA AST/23/21.
19. Reported in *Minutes of the Eightieth Meeting of the Supplementary Benefits Commission*, 17/4/1974, NA AST/36/1439.
20. *The procedural tasks relating to the operation of the wage stop*, paras. 6 and 7, 20/2/1974, NA AST/36/1439.
21. *The procedural tasks relating to the operation of the wage stop*, para. 8, 20/2/1974, NA AST/36/1439.
22. Internal memo, DHSS, 4/3/1974, NA/AST/36/1439.
23. *The wage stop*, Ministry of Social Security, 12/3/1974, NA AST/36/1439.
24. JWP [Joint Working Party] on Simplification – *Proposal to abolish the wage stop*, para 3, 6/11/1973, NA AST/36/1439.
25. *JWP on Simplification – Proposal to abolish the wage stop*, para 4, 6/11/1973, NA AST/36/1439.
26. *The Wage Stop and the Future Development of Social Security Benefits*, 4/6/1974, NA AST/36/1441.
27. *The wage stop: a re-appraisal*, April 1974, NA AST/36/1439.
28. *The wage stop. Paper by the Deputy Chairman*, memorandum 554, March 1974, NA AST/36/1439.
29. *The wage stop and the future development of social security benefits*, June 1974, para. 3, NA AST/36/1441.
30. *The wage stop and the future development of social security benefits*, June 1974, para. 4, NA AST/36/1441.
31. *Minutes of the Eightieth Meeting of the Supplementary Benefits Commission*, 17/4/1974, paras. 1 and 4, NA AST/36/1439.

32. *The wage stop and the future development of social security benefits*, para. 9, June 1974, NA AST/36/1441.
33. *The wage stop and the future development of social security benefits*, para. 9, June 1974, NA AST/36/1441.
34. *Paper by the Deputy Chairman. The wage stop*, 13/3/1974, NA AST/36/1439.
35. Internal memo, Ministry of Social Security, 4/6/1974, NA AST/36/1440.
36. Internal memo, Ministry of Social Security, 3/6/1974, NA AST/36/1440.
37. To Castle, 26/6/1974, NA AST 36/1441.
38. To Joel Barnett (Chief Secretary to the Treasury), October 1974, NA AST/36/1441.
39. To Barnett, October 1974, NA AST/36/1441.
40. To Barnett, October 1974, NA AST/36/1441.
41. To O'Malley, 25/10/1974, NA AST/36/1441.
42. To O'Malley, 25/10/1974, NA AST/36/1441.
43. Note from the SBC to the Assistant Controllers and Assistant Regional Controllers, 16/10/1975, NA AST/36/1441.

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NA BN/29/2909 *Meeting held with the Prime Minister and the Child Poverty Action Group*

23.12.65: *note of a meeting 17.3.66; report "Family Poverty"; press statement; list of members; extract, correspondence, drafts and notes*

NA BN/89/142 *Correspondence with the Child Poverty action Group*

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