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The End of the Household Means Test in Great Britain

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INTRODUCTION

WHEN the British Prime Minister announced in the House of Commons on 6 November 1940 that the household means test for unemployment assistance and supplementary old-age pensions was to be replaced by a modified test based on personal resources, his statement was received with almost universal approval. For over nine years controversy over the means test had embittered British political life. No other domestic issue had occupied more parliamentary time or caused greater ill-feeling and dissension. Certainly no other issue had been less dispassionately debated or had given rise to more confused recrimination. It was, therefore, with considerable satisfaction that it was learned that an agreement had been reached between the parties forming the Government which promised to remove a major cause of friction and controversy at a time when national unity was so vitally important. Administrative purists might cavil at the impropriety of whittling away safeguards against the wasteful use of public funds. Others might express their doubts whether the "concession" would amount to much. The great majority were thankful that there was now some prospect of healing a running sore in the social life of the nation.

Foreign observers have often expressed some astonishment at the heat generated by the means test controversy in Great Britain. The principle of making some enquiry into the needs of applicants for financial help from public funds is, on the face of it, unassailable. This principle is respected without question in the administration of unemployment relief in every other country and in Great Britain it has been one of the basic principles of poor law adminis-

tration for over three hundred years.¹ Why, then, the bitter controversy in Great Britain and the need to raise an issue of this kind at a time when other and surely more vital matters pressed for consideration? The explanation is to be discovered chiefly in the political history of British unemployment relief and in the attitudes of mind created by the weakness of statesmen and the faulty judgment of administrators in dealing with the social consequences of mass unemployment since the war of 1914-1918.

Ten years of weak statesmanship in dealing with the unemployed between 1921 and 1931 not only undermined the financial basis of the "limited liability" unemployment insurance scheme but accustomed large sections of the working population to the idea of receiving standardised maintenance allowances during unemployment without regard either to their contributory records or to their family resources. It is not surprising that the imposition of a means test, which denied unemployment relief to thousands and which cut down the payments made to a much greater number, was a highly unpopular innovation. Nor is it surprising that the unhappy political events of the autumn of 1931 (themselves a reflection of deep feelings on the subject of unemployment relief) resulted in making the means test the subject of violent partisanship. For the political Left the means test became a symbol of social oppression. By the Right it was defended as a symbol of financial probity.

In its original form the means test certainly pressed hardily and unjustly upon a large number of households, but the modifications which were introduced from time to time and the discretion with which it was administered during the years immediately before the war did a great deal to disarm criticism. Owing to a serious misjudgment of the probable effects of the scale of allowances and the determination of needs regulations first issued by the Unemployment Assistance Board, the administration of the means test aroused a storm of protest and caused a political crisis in January 1935, but this was followed by a period of indulgent administration (and falling unemployment) which greatly eased the situation. Political opposition to the means test continued, especially in the distressed coal-fields, and some of the features of the test remained a source of grievance to all who were affected by them, but the subject had ceased to be a major social issue before the outbreak of war. It was

¹ It may be added that the means test principle has been applied with comparatively little objection in the financial administration of many other British social services in recent years. In his *Incomes, Means Tests and Personal Responsibility* Professor Percy Ford has identified no less than 19 social services where a means test is in current use. Thus a means test is used not only in connection with unemployment allowances and public assistance but also in connection with the provision of school milk and meals, medical and dental treatment, fees to midwives, treatment in hospital, subsidised rents, etc.

not until the means test principle was applied to the supplementary old-age pensions scheme which was introduced in the spring of 1940 that the old controversy came to life again.

The means test provisions of the Old-Age and Widows' Pensions Bill were strenuously contested in the House of Commons and, despite the fact that the draft Regulations governing the administration of supplementary old-age pensions were revised following the change of Government in May 1940, they did not escape severe criticism when they were submitted for parliamentary approval. Some of the early results of the new scheme in operation did nothing to reassure those who were unhappy about the application of a household means test to old-age pensioners. Many old people were disappointed either because they were refused a supplementary pension altogether, or because the amount of their supplementary pension was so small. Hard cases began to be brought to the attention of Members of Parliament in considerable numbers and the Government was unable to ignore the barrage of interrogation and protest which followed. During the early autumn of 1940 the whole question of the means test was examined by a Cabinet Committee, and the decision announced by the Prime Minister was finally reached.

In the pages which follow, the historical background of the means test controversy will be outlined briefly; some of the principal changes which have been made in the form of the means test during the last ten years will be indicated; and a short account will be given of the provisions of the Determination of Needs Act 1941, which gives effect to the Government's recent decision. In a brief final section it will be shown that the new arrangements are plainly the outcome of a political compromise and that, although they have been welcomed most warmly as a great social advance, they have not been without their critics.

THE MAINTENANCE OF THE UNEMPLOYED FROM 1921 TO 1931

Confronted in 1921 with an unprecedented total of unemployed, the Government had two established means at its disposal for dealing with the problem of maintenance: (1) the recently extended unemployment insurance scheme; (2) the poor law.

Unemployment insurance provided modest weekly benefit payments for limited periods to persons who had qualified by making the minimum number of weekly contributions when in employment.

The local poor law authorities were legally bound to relieve the destitute whether their destitution was due to unemployment or to any other cause. The insured unemployed could draw their weekly benefit until they had exhausted their prescribed rights, after which they could, if necessary, apply to the local poor law authority for

relief. The uninsured could apply for poor relief as soon as they were in need. In practice these arrangements proved hopelessly inadequate. The insurance scheme, with its nicely adjusted ratios of contributions and benefits, broke down under the strain of dealing with huge numbers, unemployed for long periods. Poor relief—even where it was liberally administered—carried with it a social stigma which made it unacceptable to all save members of the chronic pauper class and those whose pride had been broken by prolonged destitution.

During the next ten years the problem was dealt with by a series of compromises and improvisations which undermined the financial basis of the unemployment insurance scheme and created an attitude of mind towards unemployment benefit which prejudiced the reception of the drastic measures that were eventually introduced. As it was politically impossible to provide for the great majority of unemployed workers and their families through the poor law, the only alternative was to raise benefit rates, provide allowances for the wives, children, and other dependants of unemployed men, and extend the period of benefit beyond the limits set by actuarial considerations. Unlike the hated poor relief, unemployment benefit was paid at fixed rates, without any means test; and it was paid to practically anyone who could prove that he or she had worked in an insured trade at some time. Successive Ministers of Labour exercised discretionary powers of disallowance, but these powers were limited and difficult to apply and their practical effect was small. Inescapably, the effect was to foster a belief that the unemployed had a *right* to standard rates of relief, without any regard either to their record of contributions or to their family resources.

The economic depression, which broke upon the world during the winter of 1929-30, imposed a strain on the improvisations of the previous decade which inevitably resulted in breakdown. Unemployment figures steadily rose. The cost of "uncovenanted" unemployment benefit falling directly on public funds became increasingly burdensome. Allegations concerning the slack administration of unemployment benefit and the abuse of public money became frequent. And the "ruinous" cost of the "dole" came to be regarded as a major cause of the nation's ills. In January 1931 a representative of the Treasury, when giving evidence before the recently appointed Royal Commission on Unemployment Insurance, warned the country that continued borrowing for unemployment benefit at the current scale was threatening the stability of Britain's finances. In June 1931 the Royal Commission produced an interim report, which proposed changes aiming at reducing the deficit on the contri-

butory insurance account and even went so far as to propose a means test for specified classes in the non-contributory section of claimants. In July the report of the "May" Committee on National Expenditure—an alarmist document which had unfortunate repercussions abroad—recommended increases in contributions, 20 per cent. cuts in benefit, an end to borrowing, and a means test for non-contributory claimants. The political crisis which supervened in August arose directly out of the unemployment relief controversy, and after the fall of the Labour Government (which refused to impose a 10 per cent. cut in unemployment benefit) a number of economy measures were introduced. Insurance contributions were increased, benefit rates were cut, the payment of benefit was once again related to the number of contributions paid, the period of benefit was limited to 26 weeks, and a means test was introduced for claimants to unemployment relief. The cost of transitional payments (as the new form of unemployment relief was called) was paid by the Treasury, but the administration of the scheme was delegated to the local poor law authorities, which had recently been reformed and consolidated as public assistance committees under the Local Government Act, 1929. These changes were strenuously opposed by the official trade union and political labour movement, and although there is some evidence that several members of the Labour Government who went into opposition had acknowledged the necessity for some form of means test, the political circumstances of its introduction did nothing to commend it to those who doubted its justification.

THE MEANS TEST FOR TRANSITIONAL PAYMENTS, 1931-1934

The effect of the measures taken during the autumn of 1931 was to reduce the number of persons in receipt of unemployment insurance benefit by over a half. Henceforth, title to unemployment insurance benefit was governed by the number of contributions paid during the two years before it was claimed, and benefit was payable for a period of not more than 26 weeks. For those who had exhausted their right to benefit there was the new transitional payments scheme administered by the local public assistance authorities. Uninsured persons and some others who had fallen out of the insurance scheme remained unprovided for save by the poor law. For anything up to 26 weeks unemployed men with the requisite contributory record received unemployment benefit as a contractual right without any means test. After 26 weeks they were subjected to an investigation of their household needs and resources, and the amount of their transitional payments was determined by the results of this

investigation, subject to a maximum fixed at the amount which would have been received had they remained eligible for standard benefit.

Both in principle and in practice the new arrangements were a direct legacy of the poor law. The Order in Council which established the transitional payments scheme directed the local public assistance authorities to deal with cases "as if they were estimating the need of unemployed able-bodied persons who had applied for public assistance but as if such assistance could only be given in money".¹ No definition was given of the "family" or "household" to be taken into account when assessing resources and need. Evidently the public assistance authorities were expected to follow their poor law practice of taking account of the *de facto* household group, that is, the persons—irrespective of their degree of relationship—actually living together as a unit. As under the poor law, the presumption was that the net income of every member of the applicant's household was available to meet household expenses, except the statutory allowances (in England and Wales) of the first 5s. of friendly society sick pay and (in Great Britain) of the first 7s. 6d. of health insurance benefit.

Viewed in retrospect it seems remarkable that the introduction of what, in essence and appearance, was a poor law means test as a qualification for unemployment relief (and at the same time of a 10 per cent. cut in unemployment benefit rates) was not received with even greater hostility. To understand this it is necessary to recall the emotional atmosphere of the 1931 "economy crisis"; the real or imagined threat to the pound sterling; and the catastrophic electoral defeat of the Labour Party. In October 1931 the idea of a severe cut in the standard of living of millions of people was generally accepted—even by those who were likely to be affected—as a necessary sacrifice in the national interest. It was only after some experience had been gained of the actual working of the means test that hostility to the new arrangements began to be expressed. Opposition to the means test became an article of faith among trade unionists and in the political labour movement. But a breakdown in the administration of transitional payments by local public assistance committees (often dominated by Labour opponents of the means test) was avoided, in all save two² out of over 200 local authorities, by the indulgent attitude of the central authority to local administrative vagaries. The rule that the amount of transitional

¹ Order in Council, 7 Oct. 1931.

² The administration of transitional payments in Rotherham and the County of Durham was taken out of the hands of the local public assistance committees by special commissioners.

payments allowed in each case should not exceed standard benefit rates was a safeguard against gross local excess. Subject to this limitation, however, there were wide variations in the practice of different local authorities. Taking the country as a whole, about 50 per cent. of the applicants for transitional payments were found to have no available resources and were given maximum allowances, but the percentage receiving maximum allowances varied from close on 100 per cent. in Glamorganshire and Durham to less than 16 per cent. in Lancashire.¹ These variations were partly a reflection of different economic and social conditions, but they reflected also the varied practice of local public assistance committees in dealing with similar cases.

During the autumn of 1932 the Government went some way towards meeting criticisms of the means test, many of which were recognised to be well-founded. Thus the Transitional Payments (Determination of Needs) Act, 1932, instructed local authorities to disregard 50 per cent. of any disability pension or workmen's compensation payment in assessing household resources and needs. This Act also excluded the first £25 of savings from the assessment of resources and laid down that the next £275 should be treated as yielding 1s. a week for each £25. Amounts over £300, however, were to be regarded as directly available to meet the current expenses of the household.² In July 1934, the restoration of the 10 per cent. economy cut in unemployment benefit automatically raised the "ceiling" for transitional payments by several shillings all round, and most local authorities were not slow to take advantage of the change. These alleviations of the scheme, together with the indulgent administration of the means test in some parts of the country, did much to reconcile the industrial population to the new arrangements. Political opposition was maintained in Parliament and elsewhere, but until the crisis of January 1935, following the establishment of the Unemployment Assistance Board, public protests were infrequent and there was never a serious threat to the Government in the House of Commons.

THE MEANS TEST OF THE UNEMPLOYMENT ASSISTANCE BOARD, 1935-1940

The transitional payments scheme was an improvisation to meet a crisis. It was never intended to become a permanent institution.

¹ Cf. ROYAL COMMISSION ON UNEMPLOYMENT INSURANCE: *Final Report*, 1932, p. 62.

² It is interesting to note that these concessions were not restricted to applicants for transitional payments. They were extended to applicants for poor relief at the discretion of the public assistance committees.

As a temporary expedient it worked surprisingly well, but it was open to serious objections. It was not easy to defend an arrangement whereby locally elected authorities controlled the disbursement of some £50 million of central government money. It was even less easy to justify the anomalies which resulted from the diverse practices of the local authorities. In 1934 it gave place to an entirely new social service—unemployment assistance, administered by a newly created Unemployment Assistance Board. The new service was designed to avoid the defects of the transitional payments scheme. The relief of the able-bodied unemployed (with a few exceptions) was taken out of the hands of the local authorities altogether. Diverse local standards of relief were replaced by a common scale of allowances and administrative regulations for the whole country. In an attempt to “take the dole out of politics” the Unemployment Assistance Board was removed from day-to-day parliamentary control and given a quasi-independent status.

Broadly speaking, the means test administered by the Unemployment Assistance Board was the same as the transitional payments test. On the other hand the new scale of allowances was more liberal than the transitional payments scale and there was no longer a “ceiling” set by standard benefit rates. The modifications which had been introduced in 1932 were continued and extended. Thus a smaller proportion of the earnings of members of an applicant’s family was to be taken into account in the assessment of household resources. At the same time, however, the loose, rule-of-thumb administrative methods of the local authorities were replaced by a code of regulations and administrative rules which were applied almost uniformly throughout the country. It was the intention of the Government and of Parliament that the effect of the change would be an increase in the amount spent on unemployment relief. That this intention was frustrated was largely due to the correctness with which the Board’s local officers administered the means test, compared with the public assistance committees whose place they had taken.

The new scheme encountered heavy weather almost from the first. The Unemployment Assistance Board’s scales and regulations had a not unfriendly reception when they were submitted to Parliament for approval in December 1934. On the face of it they seemed to compare favourably with the standards of transitional payments. Soon after the first determinations of need had been made, however, a storm of protest broke, before which the Government capitulated. It appeared that in thousands of cases in all parts of the country the unexpected effect of the new determinations had been to make large reductions in the allowances paid compared with the old transitional

payments. Instead of spending at the rate of £3 million a year more, as had been estimated, an actual saving was being made. In face of vigorously expressed protests from members of every political party, the attempt to enforce uniform scales everywhere was abandoned and a "standstill Order" was introduced. Henceforth assessment was to continue on the lines previously followed by the local public assistance committees as well as on the basis of the new regulations. The new national scale was to be enforced only in those cases where applicants would gain by it.¹

Thus the Board was saddled with the thankless task of administering a hybrid system for which there was no justification apart from political expediency.

This standstill arrangement was operated for nearly two years, but in July 1936 Parliament approved a revised scale and new regulations for the determination of need. As these were appreciably more liberal than the scale and regulations of 1934² it was hoped

¹ Unemployment Assistance (Temporary Provisions) Act, 1935.

² The principal changes contained in the Regulations of July 1936, all of them in favour of the applicant, may be summarised very briefly as follows:

A number of the scale rates were increased and other changes made (including the provision of power to adjust the allowances for single persons living alone or as boarders and the abolition of the special reduction for large families), and a provision for adjustment in certain cases by reference to the current unemployment benefit rate was introduced.

The rent rule was made much more flexible, and special provision was introduced for adjusting it, in the light of local opinion, to the circumstances of each area.

The earnings rule was made much more generous. The contributions to be made by earning members of a household towards the support of unemployed members of that household were greatly reduced in amount, and the group required to make relatively substantial contributions for this purpose was considerably narrowed.

Under the previous Regulations, the married son of an unemployed applicant was, subject to his responsibilities for his own dependants, treated on an equality with his unmarried brothers and sisters in relation to the support of his father. Further, members of the household who were not sons or daughters of an unemployed applicant were, under the previous Regulations, called upon to contribute substantially out of their earnings to the maintenance of the household. Under the proposals in the draft Regulations the married children of an unemployed applicant and other persons less closely related to the applicant than his children or his brothers and sisters were, unless their earnings were high in relation to their direct responsibilities, called upon to contribute to the household no more than they might reasonably be expected to pay if they were boarders.

In the second place, the rules in the previous Regulations as to the treatment of earnings were apt to press hardly upon the younger earning members of the household. The proposals in the draft Regulations were substantially more generous to such members. Thus, wage-earners who had reached their eighteenth birthday would not be regarded as contributing to the maintenance of the rest of the household out of the first 20s. of their weekly wages. Subject to this, they were called upon to contribute only half the amount by which their total earnings exceeded 16s. Consequently, out of a wage of 40s. the wage-earner would have been regarded as contributing 12s. and retaining 28s. for his personal requirements, including his own maintenance. Under the age of 18 the wage-earner was treated as retaining all earnings up to 12s. and one-half of any earnings above 12s.

that the number of applications whose determination would have to be reduced on the liquidation of the standstill arrangement would be few. This hope was not altogether justified, for in the spring of 1937 the field for downward adjustments from the standstill level was, on a rough estimate, rather over 100,000.¹ Great care, however, was taken in adjusting these allowances. The guidance of local advisory committees was sought. Reductions were made gradually. And an operation which might well have renewed the means test controversy in its most bitter form was carried out with remarkable smoothness.

With the liquidation of the standstill, the Unemployment Assistance Board was, for the first time, free to take a broad and constructive view of its task. It set out to demonstrate that it was a humane and liberal service, sensitive both to local conditions and to the infinitely various needs of the individual. Considerable use was made of local advisory committees; discretionary allowances were made for special needs and in exceptional circumstances; and additional allowances were granted on account of winter conditions and the rise in the prices of commodities.² While it would be too much to say that this policy removed all hostility to the means test during the years 1937-1940, there is no doubt that it ceased to be a live political issue during this period, save in the severely depressed "special areas". It was not until the means test principle was applied to supplementary old-age pensions in 1940 that the old controversy received a new lease of life.

THE SUPPLEMENTARY OLD-AGE PENSIONS MEANS TEST, 1940

A Bill making provision for the payment of supplementary old-age pensions was introduced in the House of Commons at the beginning of 1940. On 21 March 1940 the Old-Age and Widows' Pensions Act based on this Bill received the Royal Assent. Briefly, the Act provided (1) that the age at which contributory old-age pensions should be paid to women should be lowered from 65 to 60 years, and (2) that supplementary old-age pensions should be paid to all pensioners who were in need. The duty of administering the supplementary pensions scheme was assigned to the Unemployment Assistance Board, renamed the Assistance Board. The question whether a person was in need of a supplementary pension, and the amount of the supplementary pension which should be given, were to be determined in accordance with regulations made jointly by the

¹ *Report of the Unemployment Assistance Board, 1937*. Cmd. 5752, p. 14.

² Rather more than half the cases in receipt of unemployment allowances in November 1938 were given winter additions.

Minister of Health and the Secretary of State for Scotland, and approved by Parliament. The first set of regulations prepared under this Act was withdrawn, presumably in deference to the views of all the Labour members of Mr. Winston Churchill's new Government. Revised regulations were issued in June 1940, and the supplementary pensions scheme came into operation in the first full week of August of the same year.

Broadly speaking, the revised regulations governing the administration of supplementary old-age pensions were the same as those previously made in regard to unemployment assistance. The same *de facto* view was taken of the household, and, as in the case of unemployment assistance, it was required that the resources of all members of the household of which the pensioner was a member should be taken into account, together with the resources of the pensioner. The same statutory protection was given to certain specified resources, and in addition, as required by the Old-Age and Widows' Pensions Act 1940, the first 7s. 6d. of a sickness payment, payable in certain circumstances instead of National Health Insurance benefit were exempted from consideration. The provisions for the treatment of earnings were in general the same as those contained in the unemployment assistance regulations, except that no account was to be taken of the earnings of the pensioner unless they exceeded 5s. a week. In the case of earnings of other members of the household, provision was made to enable a supplementary pension to be continued unchanged during the currency of an existing determination unless a change of more than 5s. a week took place. The scale of supplementary allowances provided that in a normal case a pensioner and his wife, without resources other than the protected amounts, would receive 31s. a week (if only one of them was a pensioner) or 32s. a week (if both were pensioners) subject to any necessary adjustment for rent.¹

The application of the means test principle to supplementary old-age pensions was strenuously opposed by a number of Members of Parliament, for the most part—though not exclusively—Labour representatives, during the debates on the Bill and again when the regulations were submitted to the House of Commons. Many others accepted the principle only as a measure of wartime economy and looked forward to a flat-rate pensions scheme without a means test

¹ Supplementary Pensions Regulation IV 4 gave the Assistance Board powers to make temporary "winter allowances" in addition to the normal scale. Winter allowances were made "in appropriate cases" as from 4 November 1940. The usual amounts are 1s. a week in the case of a single applicant and 2s. in the case of a household of "normal size and composition". The circumstances of each individual case are taken into account.

at the end of the war. It was generally agreed, however, that a supplementary pensions scheme which would remove a quarter of a million elderly people from dependence on the poor law and provide a reasonable basis of life for many others who were in need was a welcome addition to the British social services.

The response to the scheme on the part of the pensioners themselves was quite remarkable. The Board expected that it would have applications from about a quarter of a million pensioners who were previously getting supplementary allowances in the form of poor relief. How many more would apply it had no means of knowing, but it had in mind the figure of 150,000, which would have made a total of 400,000 all told. It was with surprise and some embarrassment that it found itself called upon to deal with considerably more than a million claims. This "miscalculation" was unfortunate. It meant that the exacting task of making the first determinations of need had to be carried out by an overworked staff, and there can be no doubt that many of these determinations were made in haste and without due regard to all the special circumstances of individual cases. Thousands of old people, with small earnings or living with relatives, found that they did not qualify for a supplementary pension and many others were disappointed at the amount of the supplementary allowance which they were given. Disappointment led to grumbling and grumbling led to public criticism of the way in which the new scheme was operating. During the autumn of 1940 many of the early determinations were reviewed and the situation was considerably eased. By this time, however, a demand for a fundamental reconsideration of the means test principle had gained wide support, and on 9 November 1940 the Prime Minister made his announcement that the *household* means test for both unemployment assistance and supplementary old-age pensions was to be replaced by a modified test based on personal resources.

THE NEW MEANS TEST

The principal objections which have been raised against the household means test in connection with unemployment assistance and supplementary old-age pensions are as follows:

(1) It is unfair to place any part of the burden of maintaining needy unemployed or elderly people upon other people simply because they happen to live in the same household.

(2) It is humiliating for needy unemployed or elderly people to be placed in a position of dependence upon others living in the same household.

(3) The household means test entails many detailed, inquisi-

torial enquiries into the private affairs of persons who themselves are making no claims for assistance. (This objection is felt particularly strongly in the case of enquiries made to employers about wages.)

(4) It is unfair that an increase in the earnings of a member of an applicant's household (whether due to promotion, cost-of-living bonus, or overtime) should result in a corresponding reduction in the applicant's allowance.¹

On the other hand it is impossible to meet needs reasonably unless some account is taken not only of the applicant's resources, but also of his circumstances. Thus the needs of a pensioner living entirely alone, and bearing the full cost of such items as rent, heating, and lighting, are obviously greater than those of a person who shares these expenses with other members of a household.

The modified means test, which was the outcome of discussions between representatives of the principal political parties in the Government, attempts to meet the principal objections to the household means test without losing sight altogether of the domestic circumstances of applicants for unemployment assistance and supplementary pensions. Briefly, the main features of the new arrangements are these:

(1) The former requirement that, in determining or assessing the needs of applicants for unemployment assistance or supplementary pensions, the resources of all the members of the household of which the applicant is a member shall be taken into account is abolished.

(2) The family unit which is now considered as the basis of assessment is limited to the applicant, his wife or her husband, and any dependants of the applicant who may be living in the same household.

(3) In cases where the applicant is the householder or the husband or wife of the householder and there is a member of the household, such as a wage-earning son or daughter, who is not dependent upon the applicant, it is assumed that the applicant's resources include a prescribed amount from the non-dependent member towards household expenses (rent, cleaning, etc.). In all cases where the non-dependent member is an adult earning normal²

¹ There are, of course, other objections to any form of means test: the danger of penalising the thrifty; the dislike of inquisitorial visits; and the encouragement of petty deception, etc.

² The intention had been to regard 50s. or over as normal wages, but Sir Kingsley Wood, Chancellor of the Exchequer, announced during the Committee stage of the Bill, that it was proposed, in view of the representations made, to raise the figure to 55s. Thus any person earning less than 55s. would be assumed to contribute less than 7s. a week.

wages and has no dependants of his own, 7s. is assumed to be the contribution which is made. In cases where the non-dependent person has a dependant of his own or where his wages are low, a small sum is taken into account. Nothing is taken into account if the wages are below 20s.

(4) If an applicant without dependants is not himself a householder but is living in a household of which his father or mother, son or daughter is the householder, his needs are not considered to include the need of making any contribution towards the cost of his board and lodging if the income of the father or mother (or of the son or daughter as the case may be) exceeds a specified amount. As a result of a Government amendment to the Bill at the Committee stage, the amount of income which a householder must have before this rule comes into operation was raised from £5 to £6 a week¹. Even in such cases, however, applicants for unemployment assistance are allowed 5s. a week "pocket money" for personal expenses, so that they are not wholly dependent upon their relatives. Old-age pensioners living in households affected by this rule are considered not to need a pocket money allowance, as they are, in any case, in receipt of an old-age pension.

(5) If the income of the householder in the household to which an applicant belongs is below £6 a week², it is held that the applicant needs to make a contribution to the household by way of rent, and an additional allowance is made on this account. This allowance is calculated with reference to the actual rent for the accommodation shared by an applicant with the rest of the household.

Detailed rules governing the application of these general principles were set out in a White Paper which was issued in explanation of the Bill.³ The Bill itself provided that new draft Regulations should be prepared, submitted to Ministers, and made within a month after the Bill became law, and laid before Parliament "as soon as may be thereafter". After approval by Parliament they are to come into effect on the "appointed day" to be specified in the Regulations themselves. It was recognised that it would not be possible for everyone whose case was affected by the new rules to begin to draw an allowance or pension on the new basis on the

¹ In cases where the householder has two or more dependants apart from the applicant this amount is increased. The amount is increased also when there is more than one applicant in the household. In the case of applicants under 18 years of age the income limit beyond which no contribution towards household needs is presumed to be required is fixed at £4. 5s., with the same provisions for increasing this amount as in the case of applicants over that age.

² Or, in cases where the householder has dependants or where there are more than one applicant, below rather higher amounts, specified in the Act.

³ *Memorandum by the Assistance Board*, Jan. 1941. Cmd. 6247.

appointed day. There were, at the time when the Bill was under discussion, over a million supplementary pensioners and something approaching 200,000 recipients of unemployment allowances. It was prudent, therefore, to give the Board two months after the appointed day to complete its task.

THE RECEPTION OF THE NEW PROPOSALS

It would be untrue to say that the Determination of Needs Bill, which embodied the new proposals, was received with the same enthusiasm as the Prime Minister's announcement of 6 November 1940, although there was nothing in the former which was not implicit in the latter. The Bill was generally welcomed as a great social advance—removing the sting from a major irritant in the body politic. But some doubts were expressed, even by those who welcomed the Bill, as to whether it would, in fact, fulfil the expectations of those who believed that the *household* means test was about to disappear. Thus it was pointed out that the resources of members of the household other than the applicant, his wife, and his dependants were, in effect, to be taken into account in dealing with applicants' contributions to household expenses. Mr. Ness Edwards (a labour representative for a South Wales coal-mining constituency) declared that in such cases, "whenever the income reaches a certain point, the full force of the household means test is restored." And even Mr. Pethick Lawrence, speaking in support of the Bill on behalf of the Labour Party, acknowledged that there were "some reservations which cause us some disquiet" and specifically mentioned the method whereby it was proposed to deal with applicants' contributions to the expenses of households in which they might happen to be living.

Several members, not confined to one political party, expressed their disappointment that the household means test was being retained, if only in an attenuated form. Some of them made the point that the cost of administering the new rules governing cases where the applicant was not a householder would probably exceed the amount which these rules would save directly. Other criticisms were directed against details. For example, Mr. Pethick Lawrence considered that 7s. a week was too large a sum to reckon as the normal payment made by an applicant to the expenses of a household in which he might be living, and he thought that it should not be assumed that contributions to the overhead expenses of a household had to be made by every applicant whose wages were less than 30s. (instead of 20s. as provided for in the Bill). Mr. Pethick Lawrence also suggested that if the resources of a household in

which an applicant (not himself the householder) was living were to be taken into account at all, this should be confined to cases where the income of the householder was more than £8 per week (the limit for inclusion in the unemployment insurance scheme). In response to this suggestion the Government introduced an amendment increasing the figure mentioned in the Bill from £5 to £6 a week.

Perhaps the most significant comment on the Bill came from the Minister of Labour, Mr. Ernest Bevin, when replying to the second reading debate. Mr. Bevin accepted full responsibility for the provisions of the Bill, which were the result of "an agreement with colleagues", but at a later stage he was stung to reply to an interruption:

No charge could be levelled against me as an individual, that as an individual I have not done my best to put it (the supplementary old-age pension) on a contributory basis as a right. I still adhere to that principle personally, because I have never liked pensions being subject to budgetary and other considerations. At some time or other, possibly in the future, the thing may have to be revised, but it is too big a job to raise now in the middle of a war . . . If it is to be done, it had better be done as a complete job right through and on a comprehensive and consolidated basis.¹

The second reading of the Bill was carried by 173 votes to 19, but it is freely admitted that many Labour members voted with mental reservations. The fact that 16 Labour members should have voted against the second reading in defiance of the Party policy gives some indication of the depths of feeling which still exist on the subject of the means test in some political circles in Great Britain.

It is too early to speculate on the future of the means test. Much will depend upon the way in which the provisions of the new measure work out in practice. Doubtless they will increase the number of persons in receipt of allowances and raise the average amount of the allowances which are paid. But it may well be, as critics have pointed out, that the new arrangements will create more anomalies than they remedy. If this proves to be the case, yet another revision of the Regulations will be called for, though it is doubtful whether the means test principle would survive any further qualifications. Sooner or later the time must come for Mr. Bevin's fundamental reconstruction of the British social security services as a whole. When this takes place it is unlikely that the present compromise between an unconditional flat-rate payments system and a thoroughgoing investigation of family needs on "case work" lines will be tolerated. It is probable that the need for any form of means test—household or personal—in connection with un-

¹ *Parliamentary Debates, House of Commons*, 13 Feb. 1941.

employment assistance and old-age pensions will be greatly reduced by an extension of contributory insurance. On the other hand one may hope that the value of an individual "case-work" service (involving a comprehensive review of family circumstances when dealing with residual cases, exceptional needs, and special circumstances) will come to be recognised.

STATISTICAL NOTE

Transitional Payments (Unemployment Relief), 1931-34.

The means test was applied to applicants for transitional payments by the Order in Council of October 1931. Between 25 January 1932 and 3 September 1932 the total number of initial applications in Great Britain was 936,757, of whom 475,536 (50.8 per cent.) received full allowances; 289,726 (30.9 per cent.) received reduced allowances; and 171,495 (18.3 per cent.) were disallowed. The average number of weekly payments was 988,000 in the year ending 31 March 1933 and 951,000 in the following year. The average weekly payment under the transitional payments scheme increased from 19s. in the period 12 November 1931—31 March 1932 to 19s. 9d. in the period 1 April 1934—30 June 1934. During the next three months it rose to 21s. 6d. following the restoration of the 10 per cent. cut in unemployment benefit which determined the "ceiling" for transitional payments.

Unemployment Assistance Allowances, 1935-1941.

When the first Regulations of the Unemployment Assistance Board came into operation on 7 January 1935, some 735,000 persons were in receipt of transitional payments and so were *prima facie* entitled to receive allowances. Since that date, with the improvement in employment, this total has fallen steadily. The average weekly number of payees was 712,500 in 1935; 630,000 in 1936; 577,000 in 1937; and 544,500 in 1938.

While the number of persons on the Board's Register at any given time and the number of applications for allowances during any period are known exactly, no method which does not involve undue cost has been devised by which it is possible to record the number of different individuals dealt with during a year or any similar period. The best estimate which the Board has been able to make is that its officers dealt with applications from about one and a quarter million different persons during the year 1938.

Of those applicants who in 1938 made their first application to the Board, 296,500 were granted allowances, 40,000 were adjudged to be outside the scope of the Act, 47,000 were found to possess resources sufficient for their needs as assessed under the Regulations, and 20,200 failed to prove that they had no work or only such part-time or intermittent work as not to enable them to earn sufficient to meet their needs. In 41,200 cases an allowance was not granted because the applicant did not proceed with his application, or for various other reasons.

The average weekly payment of unemployment allowances rose from 23s. in 1935 to 23s. 9d. in 1936, and to 24s. 3d. in 1937. It fell slightly, to 24s. in 1938.

Comparable figures for 1939 and 1940 are not yet available, but it is known that since the outbreak of war the number of applicants for unemployment allowances has fallen steeply. In February 1941 considerably less than 200,000 payments were being made each week.

Supplementary Old-Age Pensions, 1940.

On 6 November 1940 Mr. Ernest Bevin, Minister of Labour, reported that supplementary pensions were at that time being paid in about 1,000,000 cases at an annual charge, including winter allowances, of about £24 million.

As a man and wife living together were treated as one case, the actual number of beneficiaries was appreciably higher; on the basis of a sample enquiry it was put at 1,220,000. On the average, the weekly payment to a pensioner whose basic pension is normally at the rate of 10s. worked out at 7 s. 5d. This figure concealed a wide range of supplementary payments from 1s. to 30s. weekly.

The results of a sample investigation showed that in 37.7 per cent. of cases there were no resources other than the main pension; that in 29.9 per cent. there were other resources, but by reason of disregards or discretionary allowances no account was taken of such resources in assessing the supplementary pension; and in 32.4 per cent. resources went to reduce the supplementary pension.¹

¹ *Parliamentary Debates, House of Commons*, 6 Nov. 1940.