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JOHN VEIT-WILSON'S PAPERS
ON CONCEPTS, DEFINITIONS AND MEASURES OF POVERTY,
ON INCOME ADEQUACY AND ON MINIMUM INCOME STANDARDS.**

John Veit-Wilson asserts his moral right to be identified as the author of this work.

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**PLAYING A POLITICAL GAME?
CIVIL SERVANTS AND THE ADEQUACY OF NATIONAL ASSISTANCE.**

Abstract

This paper reviews aspects of the ways in which civil servants addressed the question of poverty and need and the adequacy of the income maintenance system during the two post-war decades following the Beveridge Report. It is based on PRO and departmental records and on interviews with officials. The evidence suggests that through the 1950s officials thought of the adequacy of National Assistance in terms of Rowntree's original asocial minimum subsistence standards, but that in the early 1960s the Beard and Windsor Reports on the adequacy of the NAB benefit levels reflected an important paradigm shift in some officials' understanding of adequacy, from subsistence to minimal socially-defined participation. But these reports remained secret and the shift did not receive recognition in other departments or sustained implementation at the policy level. However fruitless, the attempt by officials to apply social science methods to develop new departmental thinking should not be described in such cynical terms as 'games-playing', since failure to acknowledge or respond to change might also be so described.

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Sources.

At the time of the research in 1987-88, not all the official files consulted in the DHSS archives had been accessioned by the PRO. Some references therefore still have their departmental file descriptions [MP: MPNI-DHSS Pensions; POF: NAB and SBC Private Office Files; SRA: DHSS Scale Rates. References to the Beard Report refer to the study of the adequacy of the National Assistance scale rates (benefit levels) for children, while those to the Windsor Report refer to *An Examination of the Adult Scale Rates*, both internal and unpublished. PRO file references covering preparatory material for these reports are given where relevant.

1. INTRODUCTION

‘To him that hath shall be given’ has the warrant of the Scriptures but doesn’t make sense in the assessment of needs. [Unsigned note to Miss Hope Wallace, 9.12.44, PRO:AST 7/735.]

In conversation some years ago, a civil servant described the work of a former colleague as "playing a political game, as one does in the civil service". Whatever sinister resonances today’s ears may detect, in the more approbative terms of the time it meant only that this colleague’s antennae had detected the vibrations of change and he was preparing for them. This paper picks out four passages in the income maintenance system in the two decades following the second world war to show how officials in the Ministry of Pensions and National Insurance [MPNI], the National Assistance Board [NAB] and the Inland Revenue [IR] approached questions of the adequacy of social security and tax thresholds. It offers an illustration of one such game, if that is not an inappropriate name for a valuable, or even essential, contribution to potential policy-making, and it thus implies the unanswered question if ignoring change is not equally a form of political games-playing.

The paper presents findings from a larger study of concepts of poverty and need in the British income maintenance system during the period of the Assistance schemes, 1934-66. For the present purpose it focuses chiefly on those issues which concern the views of civil servants about the adequacy of National Assistance and the tax threshold. It omits most of the parallel views and activities of politicians, and other issues, all of which are inevitably and invariably part of the larger picture of policy-making (other reports on this project can be found in Veit-Wilson 1989; 1992; 1994; 1999a). Drawing on both documentary evidence and oral testimony, it illustrates an issue with which this conference is concerned: traditional civil service views giving way to the the ‘far-reaching reappraisal’ [Brittan] or ‘political game’ which new officials pursued in the early 1960s.

Before describing the events, some explanation of the background meaning of the adequacy of income maintenance provisions may be helpful. This meaning can be properly explained only in terms of answers to the four questions, adequacy for what? adequacy for how long? adequacy for whom? and according to whom? [Dubnoff 1985 augmented by Veit-Wilson, 1999b]. In general, the answers offered to the first question divide crudely between [a] nothing more than some form of minimum physiological subsistence, and [b] the minimum required to live on decently as a participating member of society according to its current standards. The question of duration also affects the components of the answer; when the answer is required for the design of income maintenance benefits, as in the topic under discussion here, the costs of infrequent or long term needs are often omitted. The third and fourth questions relate to the issue of the class stratification of the intended benefits (should minimum standards be good enough for all citizens or only for ‘the poor’?) and who has the power to impose their definition of adequacy -- the officials of the state or the findings of social science? This paper takes it as axiomatic that the adequacy of incomes can defensibly be described only in terms of income on which real members of society can actually live minimally decent social lives; it therefore takes it as given that asocial minimum subsistence benefit levels cannot be adequate by this criterion, even if officials asserted and may even have believed they were.

The Beveridge Report of 1942 was widely quoted as recommending ‘adequacy of benefit in amount and time’ [para 307]. What is less well-known is that the adequacy in question was rationalised in terms only of the four components of minimum physiological subsistence described by Seebohm Rowntree in 1901: food, clothing, fuel and hygiene, and housing cost. It omitted all calculable socially-required expenditures, even if a very small margin for wastage was included. As Rowntree himself repeatedly asserted, this minimum subsistence standard was never intended to be (and was not) enough for real humans to live on; it had been devised simply to show that at the beginning of this century a large proportion of the working class earned incomes too little even to support physical efficiency [Veit-Wilson 1986]. Rowntree himself had produced a Human Needs of Labour prescription for minimum wage levels in 1918 and revised it in 1937, which therefore did include socially-required items. But in spite of his advice, the Beveridge Committee rejected these minimum socially-relevant rates in favour of asocial minimum subsistence on the grounds of less-eligibility [Veit-Wilson 1992 pp 286-289]. Its goal was not the definition of a scientifically defensible poverty line but of a politically viable minimum income standard. ‘Adequacy’ was therefore treated as a

political construct: the benefits were considered 'adequate for official purposes' even if they were not adequate for minimally decent levels of living.

2. THE ADEQUACY OF NATIONAL ASSISTANCE SCALE RATES IN THE 1950S.

This section reviews official approaches to the adequacy of NA on its introduction and during its first full decade.

The new NAB and its scale rates of benefit came into operation on 5 July 1948. The NAB claimed the new scale rates were "a considerable improvement" on the Assistance Board's previous scales for the unemployed and for supplementary pensions: one-third as much again for the unemployed, and a fifth more for pensioners [NAB Memorandum 978]. While scholars have argued whether the new scales were more or less than Beveridge's subsistence measure [Veit-Wilson 1994 p 109], it is more significant that the AB itself admitted (but only to itself) that its scales were inadequate even for physiological subsistence for some people in both 1946 and 1948 [AB Memorandum 447 paras 20-21; AB minutes 6.2.46; AB Memorandum 499 para 7]. It noted that William Gallacher, Communist MP for West Fife, had queried the adequacy of the new scales, quoting the recommendations of the Oxford Institute of Statistics, that on

the figures they produced last year, that amount [of 67 shillings for a couple with three children] means there will be nothing whatever left for boots or clothing or what are called the little luxuries of life, but are in fact the little necessities [Hansard 16.6.48, col 584].

Gallacher's view was in fact correct, for while the Assistance Board had claimed that they were "satisfied that ... the main rates can be supported by specimen budgets of expenditure for a single person and a married couple" [Note from Minister, para 6, 20.5.48, PRO:AST 7/931], those budgets had covered only the four minimum subsistence components plus a very small margin for wastage. As Sir Henry Hancock [Permanent Secretary] noted to the Minister for National Insurance, the Board might be satisfied by its studies of budgets but

Experience shows, however, that as a basis for the political defence of scales, such data provide at best a brittle weapon. There is such a wide variation of view as to standards and ways of meeting them and so little finality possible [para 7, April 1948, PRO:AST 7/931].

In other words, the official line taken was first to assert that the scales were defensibly adequate, and when they were criticised to claim that no single standard of adequacy was defensible.

The NAB's own officials took a more detached view in retrospect:

The limitations of the 1948 scale rates have to be seen against the background of the time: a postwar period of financial readjustment, with price controls and rationing still in force and a general stringency of living standards. But, however valid the reasons therefor, the point remains that the Board's scale rates in 1948 were meagre. [This and following citations on adequacy are from the Windsor Report vol 2 app 1.]

Although the National Assistance Act of 1948 did not require it, the scales were explicitly intended to meet no more than minimum requirements; the food standard, for example, allowed only about 1945 calories per day and 59.1 grams of protein, amounts believed to be sufficient for old women but not even for old men, let alone men of working age, and the other components were well below what low income households actually spent. At the time, civil servants argued that a man of working age would have to meet his extra food needs by "retrenchment" on other expenditures, but the NAB admitted in a note to the Minister of National Insurance in 1950 that "Though the Board regarded the rates fixed in 1948 as adequate in the then circumstances, they never considered that those rates left much room for retrenchment" [Draft of note, National Assistance: The Scale Rates, 20.3.50, PRO:AST 7/1199]. After careful examination, the civil servants writing the Windsor Report in 1965 described this and the other elements of the scales as simply inadequate and not even a basis worth uprating. We are, however, not dependent on hindsight alone for evaluations of inadequacy. The later studies revealed that in the late 1940s officials were already aware that the adult scales were

inadequate in nutritional terms for those of working age, and that the children's scales were only just around (that is, below as well as above) Beveridge Report prescriptions, which were themselves known to be lower than required in 1948 [reported in the Beard Report para 13].

But in addition to this criterion of adequacy, there was a further, operational one. If the scales were so much better than before, and really sufficient for all normal needs, then there should have been no need to supplement them by means of discretionary additions and exceptional needs grants [ENGs]. While civil servants concealed their awareness of the inadequacies of the 1948 scales behind concern about claimants' misspending and deserts, others were more open in their criticisms. MPs repeatedly asked questions in the Commons about the inadequate levels, and pensioner organisations regularly sent deputations to the NAB complaining about the inadequacy of the scales. On one of these, George Thomas MP and others pointed out that there would be fewer claims for ENG's for clothing if the scales were higher [PRO:AST 7/855].

During 1949, demands for increases in the scale rates came in three forms, each of which continued to be pressed during the subsequent years. First, there was awareness that the scales might not be sufficient for all four subsistence components; as a senior official of the NAB, J E Bullard, noted for the files,

The calculations by Schulz in the Oxford Bulletin of Statistics about the cost of food for children suggest that in order to conform with [Ministry of Health] requirements children have to eat nearly the whole of their scale rates [1.9.49, PRO:AST 7/1199].

Second, there was concern about the situation of old people, for whom the scales did not seem to be adequate; for example, Mrs Braddock MP reported many cases of malnutrition among old people admitted to hospital for other reasons [Hansard 3.11.49, col766].

Lying behind these concerns was a paradox which persisted from the planning of the first Assistance scheme in 1934 onwards. The 'A Code' (a secret instruction manual for NAB staff on how to administer the scheme) put it like this:

Needs which are common to a large section of the Board's applicants are not regarded as exceptional. It must also be borne in mind that the weekly allowances determined in accordance with the Regulations are regarded as sufficient to enable all normal needs to be met, that is to say, needs which can be foreseen, whether arising at long or short intervals. They not only cover weekly expenditure on food, rent, and the like, but are also intended to include provision for renewals of clothing and small articles of household equipment [1951, PRO:AST 7/1008].

Whether or not the officials who framed the A Code realised it, the minimum subsistence scale rates were calculated from the outset to exclude 'lumpy' purchases of the kind which claimants were soon (early in 1935) and subsequently being told were included. Thus the NAB's definition of 'need and normality' was not in terms of what was minimally required for normal decent social life but what the existing low paid classes could afford, whether or not it was minimally decent. The records from 1935 onwards are replete with evidence that the officials' public assertions of adequacy (despite their private awareness of inadequacy based on minimum subsistence and less-eligibility) caused much confusion by contradicting claimants' common experience of inadequacy.

Third, there was a realisation that the effects of changes in the cost of living were to drag the scales below the cost of the prescribed minimum subsistence [NAB Memorandum 583], a notion which was never questioned throughout the 1950s. The NAB files are full of notes on the effects of changes in the cost of living and food subsidies on the cost of the prescribed necessities and thus the adequacy of the scale rates. Officials referred to the periodical calculations made by someone they assumed was an expert, 'Dr Schulz of the Oxford Institute of Statistics', taking the components and costs of diets slightly better than Rowntree's prewar Human Needs of Labour dietary and aimed to "serve to formulate some idea as to what approximately was the minimum cost for an intelligent housewife of

feeding a family of five persons" [Schulz 1946 p 182].¹ But this seems to have been mainly to give support to officials' own calculations of changes from 1948.

In allocating the three elements of subsistence (other than rent which was covered separately) to the total scale rate, officials do not seem to have been particularly consistent. An early (undated) note by Bullard gave the allocation of the total scales of 40 shillings (for a couple) as 20 shillings to food and 6s9d to clothing, with 5s1d for fuel and 8s2d for hygiene and household sundries. However, in a letter to Professor Brinley Thomas (a social scientist and member of the NAB) he claimed that: "In fact when the 40 shilling scale was fixed the notion inside the office of the way in which it would ordinarily be spent" was 22s for food, 5s for clothing, 6s for fuel and 7s for sundries [2.3.50, PRO:AST 7/1199; also in an undated and unsigned note in Bullard's handwriting, 1948, PRO:AST 7/931]. The proportion assumed to be spent on food thus varied from 50 per cent upwards, a high food share implying a very low level of living. Bullard pointed out that the cost of food had increased much faster than other items, and asked Thomas if the food expenditure of poor households was very different from that of the average. He also wrote to the Ministry of Labour which had carried out the 1938 survey of working class households (at that time the latest household expenditure data) to check differences in class expenditure patterns, adding

We have our own notions about the way in which our allowances are spent, but the trouble is that our notions are unsupported by any facts, and for obvious reasons we can hardly collect the facts for ourselves [2.3.50, PRO:AST 7/1199].

Towards the end of the 1950s, the pressure of price rises on the NAB scale rates became a frequent political issue. Much effort was expended by civil servants and politicians on showing by the use of statistics of price changes and weights that the scales were "still giving the full purchasing power which it was intended they should have in 1948, although the margin is not great" [NAB Chairman to Minister 10.5.57, PRO:AST 7/1615]. Changes made in the rates were intended to compensate for changes in the cost of living for the poor, and the Board claimed that they did so until 1954 [Memorandum 848, 1954 para 4, and undated draft note "Relation between assistance rates and the 'cost of living'", PRO:AST 7/1608]. The scales were raised in January 1956, but as prices continued to rise the Minister wrote to the Prime Minister in October pointing out that while no increase was being requested that year, there might be criticism if none were given before Christmas because:

It has been the policy since 1952 to maintain these rates at a real value at or above that originally laid down in 1948, although prior to 1952 their value had, between adjustment to the rates, been allowed to fall substantially below the standard set in 1948 [Memorandum, 19.10.56, para 3, PRO:MP 323; similar to memorandum on PRO:AST 7/1615].

The Chancellor of the Exchequer (Harold Macmillan) replied that at that time an increase in the scale rates would be most unwelcome and "The situation may well be such that we should have to refuse to give any increase unless the real value of the present assistance scales had fallen quite considerably below the 1948 level"; the NAB should restrain itself from proposing increases [21.12.56, PRO:MP 323]. This rebuff produced a powerful response from Boyd-Carpenter:

I am, however, a little concerned by what you say in the last sentence of your third paragraph. The suggestion which you make there would, I am quite certain, involve very serious social and political difficulties. You will, I am sure, appreciate that National Assistance is the 'long stop' of our whole system of social services, and is the method used to prevent absolute destitution. The 1948 standards have for long been regarded as no more than deliberately set at the point of bare subsistence, and there is a growing body of opinion which is inclined to hold that they are slightly below this line. To contemplate going below this level would open us to the charge of imposing real hardship on the poorest of the poor, and would therefore be a very serious step to take even in the present situation [4.1.57, PRO:MP 323].

¹ A note in the Beard Report appendix 4 reported she was a qualified doctor, but in fact she held no medical or doctoral degrees [information from St Anne's College and OIES, 1989]. Bullard's reference to her as 'he' suggests he relied on the published sources alone and knew very little about the author.

Later in the year, the Minister admitted to the Cabinet that while the current National Assistance rates had not yet fallen below the 1948 standard as measured by the Retail Price Index or the Mikardo Index [of pensioners' consumer items], they had fallen when compared with the NAB's own secret low income household price index [11.57, PRO:AST 7/1615].

This section has outlined the awareness in official circles that the adequacy of the Assistance scale levels was questionable from the outset and throughout the 1950s even in terms of the traditional subsistence approach. The next section outlines how this position changed in 1959.

3. OFFICIAL VIEWS OF ADEQUACY: THE 1959 UPGRADING.

This section reviews the 1959 'National Prosperity' increases in NA benefits and finds that they reflected no new ideas of adequacy.

Early in 1959 officials briefed the NAB chairman that the only changes since 1948 had been in the value of the benefit scales [Memorandum to Chairman, 20.3.59, PRO:AST 7/1624]. The statistics quoted in this memorandum do not exactly match those in other departmental papers; constant readjustments were made in estimates to allow, for example, for comparing different months or for new information. But, as Lynes put it in his contemporary assessment of policy, "the aims of official policy in this period were limited to preventing the real value of the assistance scales from falling too far below the 1948 level" [Lynes 1962 p 46]. Other pressures such as "the Government's unwillingness to raise the retirement pension and the approach of a general election all appeared to suggest a new approach to national assistance" [Lynes 1962 p 16]. By the end of April 1959, arguments in favour of changes were already being rehearsed, and possible benefit levels considered. Boyd-Carpenter's remarks to the Cabinet (phrased in accordance with the convention that it was the NAB and not the MPNI which made recommendations for any necessary increases) suggested that political advantage was as important a consideration as any:

If the increase is to be presented, as in the circumstances it must be, not as being a modification required by changes in the cost of living, but rather as a deliberate advance in standards, possible rates of increase might be by 5s to 50s single and by 9s to 85s married. This would produce a round figure of the kind the Board might be expected to recommend in the case of increases on this ground. [Memorandum from the Minister of Pensions and National Insurance to Cabinet, "Proposed Changes in National Assistance", 27.4.59, PRO:MP 277/1.]

Exchanges between the civil servants in the MPNI and their counterparts in the NAB suggested that the proposed increases in the scales and possible eligibility were to be presented as advantageous to the government. They proposed, for example, that the argument for increases related to 'general prosperity' could be used to help to justify tax expenditures on national assistance [Errington (MPNI) to Hope Wallace (NAB), 23.4.59, PRO:AST 7/1624]. Following the convention, the NAB prepared a memorandum for the MPNI which the Minister then presented to the relevant Cabinet committee. In it, the NAB chairman reiterated the assertions quoted above about having maintained the purchasing power of the scales, and indeed suggested that

the Board have consistently increased the scales so as to give a margin over the actual purchasing value of the original scales ... to this extent a rather higher standard may be said to have been established. Nevertheless, it is broadly true that the standards to which the Board is now working are those established in 1948.

The whole scheme of national assistance is thus in need of revision, the purpose of which would be to establish a higher standard, more commensurate with the current level of earnings, than was accepted in 1948. For this change there seems to me to be a growing volume of public opinion ... There is, I believe, a strong public desire to improve the position of the poorer retirement pensioners, without increasing the pensions of those who are not in need. [Memorandum by the Chairman of the NAB, 4.5.59, PRO:AST 7/1624.]

This required a review of a number of features of NA, not just the scales. At the same time, the chairman articulated the sensitivity of the relationship between the NAB and the government:

For the Board to propose an increase in scale rates only at the present time, when the Government is under pressure to improve pension benefit rates, would reflect adversely on the independence of the Board. It would be said that the Board had acted to relieve the embarrassment of the Government. Such criticism would be damaging to the Board. [Ibid.]

The increases themselves were presented in the White Paper on Improvements in National Assistance of June 1959:

Her Majesty's Government and the National Assistance Board have been considering the position of those on National Assistance and have reached the conclusion that the time has come when it is right to move to a higher standard, so giving them a share in increasing national prosperity. [Cmnd 782 para 1.]

The idea was not new. The Conservative Party had already been thinking about a 'Butler Prosperity Bonus' [Conservative Party Health and Social Security Committee minutes, 20.5.57, filed on PRO:MP 293], and the phrase about 'a share in increasing national prosperity' derived originally from Labour Party discussion material of 1957 taken up and used by the Conservative Party research department.

In his contemporary study of National Assistance and National Prosperity, Lynes [1962] reviewed the statistical evidence surrounding the assertion that the 1959 scale increases were commensurate with increases in average incomes, and showed that the judgement depended on which statistical base was used for measuring average incomes. At any rate, the benefit levels were raised by amounts somewhat more than mere inflation required. What was not changed was the minimum subsistence basis, both of conceiving the needs which the state had a responsibility to meet, or of calculating the precise amounts by which the scales should be raised. The 1959 increases used the rhetoric of sharing prosperity not to alter the conceptual basis of poverty but to raise slightly the margin for varied expenditure within a minimum subsistence paradigm. Reflecting on this period in 1987, Geoffrey Beltram, a retired DHSS official who had taken part in these events, recalled that

Year after year, usually with a considerable time-lag, they made these rather miserable increases. Everybody was moaning about them, about the poverty of old people, quite rightly because they were really poor. And there was this increasing prosperity -- you remember that from 1954 onwards the economy was more or less booming, relatively in Britain, and there was a very distinct feeling you couldn't get away with it any longer, just giving old people the cost of living increases. It sounds great being indexed, but after a few years you're falling behind, everyone else is roaring ahead. The only thing more than the famous statement [about sharing in national prosperity] was that somebody had to decide how far they were going to share in [it]. They couldn't have jacked it up to average earnings at one go. [Beltram, recorded interview 3.12.87.]

Beltram, who was temporarily in the Statistics and Research section, believed that the upratings in benefit levels, when viewed over the four decades since 1948, reflected a remarkably persistent relationship with average incomes. From this point of view, the notion of minimum subsistence should be seen as reflecting a broadly constant low relationship with the level of living of the average citizen. Changes in the prices of components were themselves no more than factors to be taken into account; they never drove the process as in index-linked schemes. The reality of benefit fixing was a mixture of the financial and political, as both Beltram and Alan Beard (another retired civil servant who, as Undersecretary in the DHSS, had been responsible for setting the scales) reported:

This tended to be run by the Finance Officer of the Department. He tended to look at the existing rates and look at the RPI exclusive of rent and work out what increase there should be. I don't recall anyone coming to me and saying, "give me the proposals for increasing the rates"; [it was] very much on the finance side. [Beard recorded interview 11.3.88.]

Think of a number -- that's the way it's done -- and what does it cost? If we can afford that, then we'll do that. It's a triangular thing. They go along with a conception to the Treasury, they get into the arguments, and they come out with what they can afford, having pressed for something more. The Treasury would start off from nothing. [Beltram, *ibid.*]

Even if the conclusion may be correct, the 'Treasury View' was of course more sophisticated. Sir Kenneth Stowe, formerly Permanent Secretary to the DHSS, explained it as follows:

The Treasury view has always been a compound of two considerations, and still is. Treasury prefers means-tested benefits because they are infinitely cheaper than a very high general level of benefits; and secondly, the Treasury is wanting to keep both levels of benefits to the lowest tolerable level because each is a demand on public expenditure. And the Treasury, rightly in my view, has got a proper concern about the overall level of public expenditure. [Stowe, recorded interview 23.2.88.]

But did the Treasury have its own view on poverty as such? "If it did, I never came across it" was Stowe's answer. This was supported by Beard, who had never encountered any Treasury expertise on poverty as a social concept, because "they had economists who thought economically" and whose standard attitude was that expenditure must be kept down and therefore used whatever arguments they could against increases in benefit levels. Stowe's explanation of the Treasury view about the affordability of the 1959 increases started at an earlier stage:

The analysis has got to begin with the Phillips Committee, Provision for Old Age [Cmd 9333, 1954], which brought out very clearly, by applying demography to existing numbers, that the numbers didn't add up. Therefore the Graduated Pensions scheme was invented to start pulling the money in. That didn't solve the more immediate problem of what Boyd-Carpenter called "pensioneering" -- electioneering about the plight of the OAPs. Boyd-Carpenter's answer was not to increase the general pension level, to ignore the problem of uptake, and simply deal with the problem of what the aged poor need by increasing [NA] benefit levels as a share of national prosperity. [Stowe, *ibid.*]

But for the politicians and Treasury economists this left problems of the consequences of increased NA benefits on the implementation of less-eligibility.

In spite of the envelope of generous rhetoric surrounding the 1959 NA increases, there is no evidence that the motives were influenced by any new conception of adequacy. Webb has suggested that the perceived problem was not in fact the adequacy of the benefits but the provision of decent treatment to old people [Webb 1975 p 412], which then became the focus of other and different policy concerns.

4. THE PROBLEM OF THE TAX THRESHOLD AND ADEQUACY.

This section reviews briefly the official treatment of the related topic of the adequacy of the tax threshold during this period.

A basic principle of personal taxation since the time of Adam Smith in the eighteenth century has been that incomes below what is needed for minimally decent life as society defines it should be free of tax. The tax threshold ought thus to act as a measure of a government's view of such a minimum. The principle has been reiterated by subsequent Royal Commissions, on Income Tax [Cmd 615, 1920] and on the Taxation of Profits and Incomes [Cmd 9105 para 158, 1954]. The first of these reported that "the truth is that the exemption limit has never been based on a figure consciously related to any kind of minimum of subsistence" [1920 p 55], while thirty years later the latter found

that in practice "the starting point for liability is lower than it could reasonably be expected to be if the needs for subsistence are borne in mind", and that "none of the personal allowances is now fixed with any deliberate reference to a standard of subsistence" [1954 paras 160-1]. The reasons were not sinister: they reflect an approach concerned solely with political and economic salience which was either not conscious of the burden on the poor or otherwise discounted it.

Until the period after the second world war the subject was academic since it had no consequences for deprivation. Before the first world war the Chancellor would set the limits at what he thought he could afford [Shehab 1953 p 262] and between the wars tax allowances continued to be high in proportion to average earnings. Sir Norman Price, a former Chairman of the Board of Inland Revenue, confirmed that the relationship with social security benefits did not form any part of government thinking [personal letter 2.3.88]. But by the late 1940s the level of personal allowances had fallen considerably. Piachaud suggested that the issue of the overlap between the income tax system and the social security system (implying an official view of need) was

largely the result of the post-war extension of the income tax system to large numbers of manual and clerical workers who were previously exempt together with the extension of cash benefits (normally subject to a means test) to those with low employment incomes. [Piachaud 1980 pp 68-9.]

The 'extension' of tax coverage was not a positive act; it resulted from the erosion of the value of the personal allowances. However, under the high employment conditions of the time the issue was not perceived as anything more than a matter of a relatively few hidden anomalies, such as the level of some untaxed benefits being higher than taxed earnings of the same level. For example, far more married women were employed and receiving the tax allowance for a working wife. This had been introduced in 1944 as part of Pay As You Earn (before 1941, income tax was collected half yearly and had to be saved up) and was intended to ease the calculation of PAYE rather than to further a women-back-to-work policy [Price, *ibid*]. Child tax allowances also disguised the erosion of the individual's tax allowance, so that in general any incipient poverty trap was confined to the single person on low wages. The departmental view in this period was recalled by Price:

The fact that the anomaly was small allied itself with the difficulty of finding the resources to increase personal allowances substantially, so as to make irrelevant in Budget terms the association [between assistance scales and personal tax allowances]. It tended to become a question of Chancellors saying 'By how much can we afford to put up personal allowances this year?' without regard to social security levels. Recollections of the relationships pre-war between earnings and personal allowances persisted for, I should say, ten or twelve years after the war, and consciously or not there was a tendency to try to get back to them. The vast increase in the number of taxpayers (and of the Inland Revenue staff) was thought to be wrong. Gradually Ministers accustomed themselves to what was inevitable. Most earners were going to be liable to pay tax and the urgency to exempt a high proportion began to fade. Other considerations could take priority in determining tax allowance levels. Benefits in the social security scheme were one such -- and people began to discover the poverty trap. [Price, *ibid*.]

From the middle 1950s onwards there began to be an increasing political interest in correcting the anomaly that some untaxed social security benefit payments were higher than taxed earnings. The tax threshold for a two-child family was then approximately the same as average male earnings, but a decade later it had fallen to only around 70 per cent of average earnings and already within the limits then described as being on the margins of poverty [Piachaud 1980 p 69]. At the beginning of the 1970s the tax threshold was tending to fall below the SB scales and burden the poor [Piachaud 1973 p 75]. By the end of the decade, as Piachaud noted,

it had fallen to less than half average earnings. ... For many households, the tax threshold lies at an income below the supplementary benefit level (including housing costs) for that household. It is not surprising that there has been increasing concern over the decline in tax thresholds [Piachaud 1980 p 69].

Piachaud's concern was the anomaly of taxing poverty earnings, but the Inland Revenue's concern was the anomaly of untaxed social security benefits. While in the 1950s the Inland Revenue made no attempt to relate the level of the tax allowances to untaxed benefit levels, Price reported that:

there was one close relationship [which] did affect tax allowances and that was their level as compared with the basic retirement pension. This was taxable and its level affected the work load thrown on the PAYE machinery. If the single tax allowance were less than the basic retirement pension, it would be necessary to make a tax assessment on every pensioner. This would have been an enormous administrative burden and while it was feasible allowances were kept just ahead of pensions to avoid it. Although I cannot recall that I heard any Minister actually say so in so many words, I cannot help feeling that this factor might have inhibited some potential pension increases. Not only did the money for the increased pension have to be found, but so also, in an even greater amount, did it have to be found for increased tax allowances. [Price, *ibid.*]

By the middle of the 1960s only about half of all the six million retirement pensioners were required to complete income tax returns, and most completed returns only every third year. The remaining pensioners were exempt from income tax because their incomes were below the thresholds for old people ['Briefing on Income Guarantee for Cabinet Social Services Committee' para 6, 26.5.65, PRO:MP 308/1].

Administrative issues rather than principles of needs were thus the main preoccupation of those concerned with tax allowance policy during this period. As a result, when from the mid-1960s political interest in income guarantee and tax credit proposals to combat the newly 'rediscovered' poverty, especially among older people, developed to the stage of government enquiries and the Green Paper on Proposals for a Tax-Credit System [Cmnd 5116, 1972],

the fact that tax allowances and social security benefits had each developed their own momentum and got out of line with each other certainly plagued everybody; the cost of ensuring that people would not be worse off on the introduction of Income Guarantee got so high as to become virtually unupportable. [Price, *ibid.*]

Sir Kenneth Stowe conveyed a similar impression that the issue of adequacy was never addressed in official discussions of tax allowance levels. At that time he was a NAB official who had just been engaged in the first and only in-house studies of the adequacy of NA benefit levels, outlined in the next section. During the interdepartmental discussions over the Labour Government's Income Guarantee proposals in 1965, he was amazed to hear a senior official in the Ministry of Pensions and National Insurance casually telling him that

he had always assumed that the Inland Revenue, in fixing their allowances, had some regard to the level of benefits. What it demonstrated to me was that they were two completely different departments operating two completely different systems. The adequacy of their thresholds was their problem, and the adequacy of our benefit levels was our problem. [Stowe, *ibid.*]

As Stowe experienced it, the Inland Revenue attitude to the adequacy issue was 'stop befogging us with silly questions' about a matter no one had thought worthy of rational enquiry. This was also the impression of Dr J Leonard Nicholson, who had been Chief Economic Adviser to the Department of Health and Social Security (1968-76) and was involved in the question of minima from the point of view of a statistician modelling the combined effects of taxes and benefits. He recalled that the Inland Revenue "never explicitly said to themselves, what would be a sensible level at which to start taxing people?" [Nicholson, interview 23.2.88]. In both Stowe's and Nicholson's views, the critical moments at which the issue of a minimum taxable income were even conceptualised in the Civil Service were during the reviews of the Labour government's income guarantee proposals in 1965-6 and the Conservative government's tax credit proposals in 1972. However, the crucial point is that their conceptualisations were in terms of formal economic models of the existing social security rates and the poverty trap problem, and not in terms of the social adequacy of the rates themselves, that is,

what income was necessary to support a given minimum level of living. That question was never addressed.

Academic observers of this period of policy-making had a similar impression. Professor Della Nevitt of the London School of Economics was one of the earliest academics to calculate the effects of the poverty trap, and her recollections were expressed in strong terms which officials might feel were provocatively exaggerated:

I can assure you that during the period up to the mid 1960s it was almost impossible to talk rationally to the Inland Revenue. They would not, for example, accept that the abolition of Schedule A had created a direct and important subsidy to those who bought their house with a mortgage. They flatly refused to use the term ‘subsidy’ which is now very generally accepted and used. I think on the whole the staff at the headquarters of the Inland Revenue were quite the most ‘fuddy-duddy’ and obstinate people in the whole Civil Service, and that is saying a great deal. Most of my experience lay with the Ministry of Housing, and they were bad enough, but the Inland Revenue were totally impossible. I doubt very much whether there was any real philosophy or logic. Everything was a matter of expediency, and of course a matter of the general economic policy decisions of attempting to control inflation by restricting the purchasing power of the people. And as far as the Inland Revenue were concerned, it didn’t really matter whether people were rich or poor, so long as they had a fairly simple system they could operate. I believe that the removal of the lowest tax band, for example, was only introduced because relatively few people remained on that low level as wage levels increased, so that they put even the lowest paid workers into the standard rate of tax levels. [Nevitt, recorded personal communication March 1988.]

Professor James Meade was another academic (though he had also worked in the Treasury and in the Economic Section of the Cabinet Office from 1940 to 1947 and Director of it 1946-7) who recalled that the NA scales were the limit of the Inland Revenue and Treasury conception of poverty and needs in this period [interview 21.11.87]. It is noteworthy that the standard 1966 work on income tax by Basil Sabine, a former official in the Inland Revenue, makes no reference to the issue of the basis or adequacy of the tax threshold.

Thus there was little pressure for a different point of view. Price concluded that

those academics who have said that the Revenue did not pay a great deal of heed to the ‘fiscal welfare’ dimensions of the level of allowances are right. The Department approached this level in a different way from that in which it approached other problems. [Price, personal letter 12.3.88.]

The reasons for this were partly administrative. The responsibility for tax policy making lay in the last analysis with the Treasury; the methods of administering taxation were matters for the Inland Revenue. It is commonplace that method crucially affects policy, and the Inland Revenue was therefore concerned with advising the Treasury about problems to be avoided, such as the pensions problem mentioned above.

[The Revenue's] interest in personal allowances tended to be confined to management and not philosophical issues. We were concerned at the effect that the ever-increasing gap between average wage levels and the income tax threshold was having on staff numbers and our capacity to run the system at all. As a generalisation, given that there was money to be given away in any budget and that the Chancellor of the day had decided to apply some or all of it to direct tax, we would urge, for management reasons, that it be devoted to an increase in allowances rather than to a rate reduction. In pressing for increases in allowances, it may well have been that the Revenue's minutes would draw the Chancellor's attention to contemporary levels in social security benefits, particularly if variations in the latter were throwing up nonsensical and making the poverty trap more vicious. But I think that such arguments, persuasive though they might be, were used to bolster the case for any increase in allowances to reduce the number of taxpayers rather than *causa causans*. [Price, *ibid.*].

While Price himself thought that it remained untrue that "the Revenue has a 'philosophic' view about where the level of tax allowances ought to be", as a result of various 1960s changes in governance the Inland Revenue became represented on joint departmental planning committees which do not seem to have been previously considered part of its traditional narrow role. In 1971, for instance, it was a member of the Treasury-chaired Steering Group for Family Poverty Review, set up by order of the Cabinet Social Services Committee. The interdepartmental group was required to take the SB benefit rates as its 'official poverty standard', but within that constraint the following extracts show that officials had become much more aware of the 'philosophical' tax issues than previously.

The Tax Threshold: The gap between the Supplementary Benefit level and the tax threshold has narrowed substantially over recent years. The 1971 budget has improved the relationship, but nevertheless from September [1971] the Supplementary Benefit level will be above the tax threshold for single people, married couples without children and married couples with fewer than three children. We think that the tax threshold should always be above the Supplementary Benefit level for everyone. It would seem extremely difficult to justify the payment of tax by someone who is below the Supplementary Benefit level, though we fully recognise the difficulties in the way of preventing this situation from arising. ...

The level at which tax begins to be payable carried with it the assumption, implied if not explicit, that a man [sic] at that level can afford to pay some of his income to the State, and if the SB level is regarded as the poverty line it seems to us very difficult to justify imposing tax liability anywhere below it. In our view the tax threshold should always be above the SB level. Indeed, unless the view is taken that as soon as a person reaches the minimum tolerable level it is not unreasonable to require him to pay 30 per cent of his additional earnings to the State, there is a very strong case for saying that there should be a substantial distance between the SB level and the tax threshold. [SBC, 'Family Poverty Review' 1971, paras 27 and 115, PRO:POF 21.]

It is of course the case that the steering group was only reiterating the traditional basic principle which Royal Commissions had articulated before. But the Inland Revenue did not seem to have dissociated itself from this 'philosophic' expression, and the change may have been the acceptance by officials within the system of principles which previously had been expressed only outside it. In addition, the willingness to consider the interrelation of income maintenance policies may itself have been a product of that decade's reappraisal of policy-making procedures.

5. CHANGE IN THE NAB: THE REVIEWS OF NA SCALE RATES, 1962-65.

This section reports on the NAB's two unique in-house studies of the adequacy of its benefit levels, for children and for adults.

The appointment of Sir Donald Sargent as the new Secretary to the NAB in 1959, following the retirement of Sir Harold Fieldhouse who had been Secretary since 1948, marked a change in the acceptability of new ideas in the NAB. Fieldhouse had represented the old-fashioned Poor Law

attitude to the work of the department, with its emphasis on less-eligibility, minimum subsistence and the class-cultural segregation of standards of needs and tone. Sargent was appointed in the year of the abandonment of the primary poverty rationalisation for minimum subsistence and its relation instead to the notion of 'increasing prosperity'. Geoffrey Beltram recalled that Sargent "had a very difficult job of letting in some fresh air, which he did very effectively, and he responded to a lot of the criticism of the scale rates and of the failure of the old people to claim and so on in a positive way" [Beltram, *ibid.*]. The traditional view held by administrators was, Allan Beard recalled, to avoid embarrassment to the government at all costs and, "if ministers could not find more money, to put up arguments for leaving things as they were". For traditionalists to admit that the scales were inadequate was implicitly to condemn their own stewardship, and so they would not ask for increases in the scales over inflation, "whereas Sargent's view was different. If he thought the rates were inadequate, then he'd bang on people's doors" [Beard, *ibid.*]

One of the first things Sargent did was to set up a departmental facility for more purposive enquiries into issues of actual or potential interest to policy makers. Up to this time, the functions of the department had been seen as merely administrative, the policy changes amounting to little more than the uprating of the scales in accordance with changes in the various indexes of the cost of living. The enquiries into the adequacy of the benefit rates in 1934 and 1948 had been paper exercises, concerned primarily with providing a politically plausible rationale for less-eligible benefit rates in terms of prevailing officially acceptable calculations of minimum subsistence. To start with, Sargent commissioned Stowe to carry out a review of the history of the Poor Law and Assistance scales reaching back to the nineteenth century. Stowe recalled in 1988 how this had first impressed on him the continuing truth of the assertion made by the UAB officials in 1934, that there was little scientific basis for the level of the scale rates [UAB Memorandum 14, "A 'Scientific Basis' for the Assessment of Needs", 30.8.34, para 33, PRO:AST 12/2]:

That would be true now. There isn't a scientific basis, there never has been, and no-one has ever succeeded in establishing one. I am not saying that there cannot be; I'm saying that as a matter of historical record there never has been a scientific basis. And it never has, in my view, been seriously pursued as an option. I've been in and around that department for 36 years and I never heard anybody seriously suggest that we should set up a scientific study to discover what the adequate basis for the scale is to be. There were no real reviews of adequacy. The Social Security Review initiated under Norman Fowler did not address adequacy. It took the framework as it was and started necessarily from the standpoint of cost. [Stowe, *ibid.*]

Stowe saw Sargent's studies as being more pragmatically empirical than the kind of science civil servants had in mind at that time: the kind which they believed could give validity to the primary poverty measure. To Stowe, 'science' seems to have been outside the arena of social and political judgement. Perhaps this distinction reflected different epistemological paradigms from those which social scientists might use today.

Partly as a result of the raising of the scale rates in 1959, the problem of the wage stop became salient.

The wage stop deduction, as a proportion of the total entitlement of a family, had been getting bigger because of what happened in 1959. This share of national prosperity led to a very substantial percentage increase for married couples, an 18 per cent increase if I recollect correctly. This was applied pro rata to the subordinate scale rates, which meant that in the case of a family with three [or more] children the aggregate increase occasioned by the 1959 uprating was very high. It also had a repercussion on wages. It was, I think you'll find, from that point on that people like Frank Cousins² and other trade union leaders came to perceive that the Conservative government had given them a very useful stick with which to beat employers, namely that the wages were now manifestly too low, a big step down from adequacy by comparison with the NA scale rates for a family of four or six.

² General Secretary of the Transport and General Workers' Union from 1955.

The wage stop problem with which we were concerned was getting acute; there was a lot of anecdotal evidence that these families with children were having a very hard time. Donald Sargent was concerned about it. It was as simple as that. You had a Permanent Secretary³ who thought that "I'm not happy -- let's find out what's going on" -- a straightforward concern about the poverty of families with children. This concern had many ways of surfacing, from meetings of the Area Office managers and Regional Controllers in London, cases coming in, general conversation; it bubbled in the administration; it was perceivable in the centre. It's the antennae saying "this isn't right". Donald Sargent was very good with antennae. That's what started it. [Stowe, *ibid.*]

At the outset, the departmental Information and Research Unit which Sargent set up in 1960 consisted of Kenneth Stowe and Stanley Evans. "The Board welcome the increase in general awareness that more knowledge is essential to the development of sound policies for improving their [the poor's] lot", it reported in its 1965 Annual Report [Cmnd 3042 p xi, 1966], echoing Sargent's aims. The departmental desire for reliable information was not, of course, a matter of philanthropy alone. The period in question was one in which the new generation of academic specialists in social policy, many of them in the London School of Economics and under the influence of the thought of Professor Richard Titmuss⁴, began to make an impact on public perceptions of the scope and consequences of social policies. The department needed information of its own in order to be able to respond to the assertions of the academics or even anticipate them. "There was constant pressure, there was constant criticism" from the academics, Beltram recalled, "the Titmice⁵ had been nibbling away for years, there had been a constant barrage of attack" [Beltram, *ibid.*]. Although some NAB officials of the old school resisted accepting the ideas about poverty and need⁶ which the academics were discussing,

nevertheless it was registering inside, there was a lot of discussion going on, especially the younger administrators who were firmly repressed by the old guard. But when Sargent came in the repression was lifted. Sargent was quite a sagacious man -- he spotted straight away the drift of events, and he also spotted that Ken Stowe was an exceptional person, so he pulled out Ken Stowe and used him, and people like Bob Windsor, who was in some ways a different kind of person. He was sage, conservative and also entirely honourable in not subordinating facts to political expediency. Sargent was responding to this [the pressure for change] in the teeth of opposition from the old guard who were still there, but with the support and enthusiasm of the slightly younger guard. [Beltram, *ibid.*]

The pressure for a different approach was not merely academic: it was political, Stowe reported:

Richard Titmuss was very active at this time; he was held in very considerable respect. I remember going down with Allan Beard to listen to a debate at the House of Commons, and the Opposition was winning all the arguments. Fed by the Titmice, they were coming out with the facts and figures which made the Ministers' answers look thin. [Stowe, *ibid.*]

It was Richard Titmuss's estimates of the numbers of poor in Britain, some seven to eight million, which the officials gave to the Minister in their briefing for the Commons debate on the NI Bill and NA Amendment Regulations in November 1960, and it was Richard Crossman, the Labour politician and member of the same intellectual circle, whom they reported as saying that there were some eight million "living on or near the poverty line, or one in seven of the affluent society" [NAB: Note for the

³ The Secretary of the NAB had the civil service rank of Deputy Secretary although working as a Permanent Secretary.

⁴ Member of the Supplementary Benefits Commission from 1966 and Deputy Chairman 1968-1973.

⁵ A facetious title for the original group of Titmuss' colleagues at LSE who shared his approach to social policy, people such as Professor Brian Abel-Smith (Senior Adviser to the Secretary of State for Social Services 1968-70), Professor David Donnison (Deputy Chairman, later Chairman of the Supplementary Benefits Commission 1973-80), Professor Peter Townsend, and Tony Lynes (adviser to the Minister of Pensions and National Insurance 1965-66). See Donnison 1982 pp 16-18.

⁶ For instance, the view expressed in correspondence with regional NAB officials about the wage stop, that perhaps the benefit rates were too high rather than wages too low. Hope Wallace to regional managers, 26.7.60, PRO:AST 7/1627.

Minister, 11.11.60, PRO:AST 7/1627]. The note added that there was no firm evidence of how many lived just above the poverty line of the NA scale rates, and it complained that the number of the poor increased every time the scales were raised. This latter point is a sign of the realisation that the NA scales did not constitute an independent measure of poverty. But what should be used? The Chairman of the NAB, drafting a paper on "The Question of Increased Reliance upon National Assistance", complained that the standards of what was subsistence kept changing [undated and apparently unsent, circa January 1960, PRO:AST 7/1627], anticipating a letter from Townsend and Lynes in *The Guardian* in which they pointed out that the government had abandoned the subsistence basis of NI and NA but without putting an alternative standard in its place [*The Guardian* 24.11.60, filed in PRO:AST 7/1627].⁷

The period at the end of the 1950s and the beginning of the 1960s was thus one of change: changing perspectives on the adequacy of the scales themselves, and changing political and administrative awareness of the need for defensible independent standards of adequacy of level and 'tone' (a term for the social acceptability of the mode of administration [Veit-Wilson 1987 p 207]). In their letter, Townsend and Lynes were using 'subsistence' in the then customary Beveridge sense of primary poverty, and not in what might today be called the relative approach to minimum subsistence such as is implied by Rowntree's Human Needs of Labour poverty line. At this time, Lynes was preparing his critique of the 1959 scale rate increases, while Abel-Smith and Townsend were working on their reanalysis of Family Expenditure Survey data for 1953-4 and 1960 [Townsend 1962; Abel-Smith and Townsend 1965]. In this they showed that the number and proportion of the poor had increased during this period if measured by a standard based on the changing NA scales. But what did this statistic mean in terms of living standards? The Chairman of the NAB himself felt that "it is manifestly not satisfactory that the Board should in so many cases ... reduce payments below the scale fixed by themselves to give a reasonable standard of subsistence" (12 thousand out of 131 thousand unemployed NA recipients at the end of 1961 [Memorandum by the Chairman, 29.11.62, PRO:POF 53]). Apparently the matter was becoming seen as politically serious, and Sargent wrote to the Permanent Secretary of the MPNI, Sir Eric Bowyer:

For the first time, I believe, since the war an attack on the Board seems to be developing about the wage stop clause. ... Quite independently of the outbreaks of public criticism, we have ourselves been feeling increasingly troubled about the position. We have no doubt about the rightness of the wage stop policy -- and indeed I think most responsible opinion outside would agree with it in principle. And we are quite sure it would not be right to be deterred by wage stop difficulties from making justifiable improvements in the scale rates. 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. [Sargent (NAB) to Bowyer (MPNI) 25.2.63, PRO:POF 32.]

But the numbers on the wage stop made it conspicuous. And the problem was not merely the unemployed; the NAB staff disliked paying the families of the imprisoned and even the sick more than they would have received from wages. While the NAB did not regret the improvements in the scale above low wages, it wanted to know what might be done to diminish the problem -- provision such as increased family allowances for larger families. Sargent continued to discuss this and other proposals, such as "the abolition of the ban on paying national assistance to men in full-time employment", with the MPNI and Bowyer's successor there, Sir Clifford Jarrett [Minutes of the 240th meeting of the NAB, 23.11.66, para 19, PRO:AST 12/76].

Information was therefore required, and in particular on what the needs of children were. In December 1962 Sargent commissioned his Information and Research Unit team, Stowe and Evans with another official and headed by Allan Beard, to carry out a study "to examine the children's rates, their general level in relation to the adult rates, the age banding and the relativities between the

⁷ They complained that average earnings would have risen by 9% between 1959 and April 1961, while the scale for a couple had risen by only 5.9%. The officials advised the Minister to leave aside whether the 1959 pledge really meant that scales should rise in step with earnings, and said that 9% was only a guess (though it "may not prove to be far wrong"); the real comparison was with April 1948 -- by April 1960 male earnings stood 110% higher and the couples' scale 125% higher. [Note for the Minister, 24.11.60, PRO:AST 7/1627].

different age bands" [Notes on research studies, PRO:POF 25]. The group carried out both historical and sample surveys (a random study of 300 households claiming NA for over one year found that two-thirds were headed by a single parent) to provide a basis for a socially-based approach to defining minimum needs.

The Beard group reported early in 1964 [a summary of the Beard Report is in NAB Memorandum 1263, 14.2.64, PRO:AST 7/1958] to the satisfaction of Sargent and the NAB. He therefore planned a more extensive study of the fundamental basis the adult benefit levels being paid, including the time dimension, and in March 1964 commissioned Robert Windsor (the NAB's Principal Finance Officer) as chair, Stowe and three other senior officials, to carry this out. A discarded draft of its final report revealed the changing openness of this group of officials to new ways of thinking about the role of the state's minimum income maintenance system:

The group was influenced by the general change in outlook which regards national assistance as designed no longer only for the relief of destitution but expects it to provide a reasonable standard which should include a margin for many of those small items of expenditure now covered by most of the discretionary additions. ['Bluebeard 2' draft for chapter 9 para 2 (Bluebeard was the appositely-chosen code name apparently used for drafts of the report), PRO:AST 7/1998.]

The Windsor team used three approaches to 'triangulate' its survey. The first was a traditional budget approach but taking contemporary standards of minimal decency as its basis. The second was a comparative approach, studying the household expenditure and consumption patterns of non-poor households to gain a picture of normal British standards. The third approach was described as empirical; it consisted of a qualitative survey by NA office managers of how actual claimants were living and being treated by NA staff, and a quantitative study of a 1.25 per cent sample of all live case papers to examine the variation in additional payments (DAs and ENGs). The two latter surveys revealed much unmet need even by NA standards and enormous regional variation in supplements, depending largely on local 'cultures' and leadership. The sums awarded for articles varied from one NAB office to another, even in the same town, suggesting that the explanatory factor was differences between officers in "the standard of article considered appropriate for recipients to buy" [WR vol 2 app 4 para 49]. Sir Kenneth Stowe summarised the problematic issue revealed by the managers' survey as follows:

What purported to be a fair and reasonable system applied with reasonably uniform discretion was in fact an arbitrary, personally motivated system, with wide discrepancies. If one probed into it one found things went very, very differently according to the temper of the local office manager and the local office staff, and it amply justified the criticisms that were made in support of the income guarantee case, that discretion was found not to be discretion but arbitrary judgement, highly personal arbitrary judgement. Which was the Ark of the Covenant knocked over in terms of the Poor Law and Unemployment Assistance. [Stowe, *ibid.*]

Sargent and Stowe were each clear that 'science' had only a limited role to play in this or the later enquiry into adult rates as contributions to policy-making. Sargent reported at the time that

it could not, of course, be claimed that when a piece of work of this kind had been done it was possible to deduce from it a scientific answer to the question of what action, if any, was called for. The answer must still be a matter of judgement, but he was certain that better results were obtained if judgement was exercised on the basis of a full assessment of the relevant facts and considerations: and he had no doubt of the worth-whileness of a study of this kind on the grounds of strict practical usefulness. In addition it was, he thought, necessary to take account of the fact that studies of this kind were increasingly being made in the social service field by outsiders, and in many other fields research of this kind was being done both by outsiders and within the organisations concerned. In these circumstances he felt that, in addition to the consideration of practical usefulness, the Board would be liable to find itself at a disadvantage if it was not in a position to make it clear, if necessary, that basic decisions were based on a thorough study of the relevant facts, including practice in comparable fields. [Minutes of the 208th meeting of the NAB, 26.2.64, PRO:AST 12/75].

Stowe, too, saw policy relevance as a barrier to 'science'; a 'profound' study meant "really going deep into the science" of needs:

We took the empirical path of asking, what do [the scales] actually buy? There is no science; you are going to have to make a judgement on whether or not this, in the climate of the times, is a reasonable sum for a family to live on, bearing in mind the other factor which the scale rate study [The Windsor Report, PRO:AST 7/1992-2021] pointed out, that the local [NAB] offices didn't think it was: exceptional needs grants going up, discretionary additions going up, with no underlying rationale. It was the rule book being blown by the local staff because they felt it wasn't fair. [Stowe, *ibid.*]

The studies of children's and adult scales were themselves provoked not by existing academic critiques of the scales but by the view that the facts needed to be collected. The Child Poverty Action Group was not founded until 1965 after both reports were completed, and Beard could recall no outside influences of that kind on his report; "the essence of Sargent's approach was that he would have an objective study with no political influences and then present the results to his masters" [Beard, *ibid.*]. But there was a measure of political calculation in identifying the masters: the studies were commenced after twelve uninterrupted years of Conservative government and

Sargent could see that Labour might come in, and he could see that it wasn't good enough to be in the old reactionary rut. He was collecting evidence and setting up a situation where, to an incoming Labour government, he could say "Look, we've been doing all this work, and this is the direction it points in". [Beltram, *ibid.*].

The further details of the two studies are not relevant here (they are reported and reviewed in Veit-Wilson, 1999a). The evidence collected from their various surveys and special reports convinced the Windsor study group that "we could not regard as satisfactory the standard of living provided by the scale rates in operation in 1964" [the following citations are from the Windsor Report vol 1]. The existing level of benefits was too low for the approach to a new participation standard of income, which it had indicated tentatively but not prominently in the report itself, as its criterion. The chief difference in levels of needs between groups which it felt able to support was between short and long term dependence on assistance. The old should get more, not because they were old but because they would by definition be long-term recipients. Others should also get more, but because it was not possible to predict the duration of dependence in advance, this should be after two or three years. Dependence on discretionary additions and grants would be diminished by the larger scale benefits covering these needs.

The study group had no independent criteria to help it decide on the level of income needed for minimal participation. The prescriptive (rather than empirical) approach to judging the appropriate level was still customary, the only issue being the move from minimum subsistence to relativistic components of needs. The study group made it clear that the relationship with some hypothetical poverty measure was not their concern: the question was the level of benefits, and here other considerations applied:

Although the assistance rates cannot be considered in isolation, the fact remains that they stand apart from other forms of social security provision in that they have a different job to do: they set a standard which, at the lowest, cannot provide less than the basic requirements for food, fuel, etc.

While it was not part of its remit, the Windsor study group made two further recommendations which are important in this context. One was on the question of what criteria should be used in future to give a basis to the raising of the levels of the scale rates. The other was on further monitoring of the adequacy of the benefit levels. As the existing scales had always been based on a subsistence, 'bottom up', construction, uprated by nothing more than some version of a cost of living index, possibly with slight augmentation in 1959, there was no agreed alternative which would match the proposed move to a relativistic basis for the minimum. The study group considered the use of various forms of cost of living index, general or low income, movements in the average incomes of wage earners (in the annual New Earnings Survey, with all the reservations about coverage it involves), movements in weekly wage rates, and an index of net income per head (subject to much discussion on what to include or exclude, and what population -- total or earners alone -- to divide by). It concluded that the scales should not be tied to price indexes for administrative and symbolic reasons, and because "The criteria for adjusting the scale rates should not, in our view, be concerned only with the maintenance of their real value". Finding the "right relationship between assistance standards and the growth of national prosperity, but without making the cost to the Exchequer of an increase in assistance rates itself contribute to inflation, raises, of course, political issues of great difficulty and complexity". However, in spite of any problems raised in relation to low earnings, the "material reference points" of the living standards of the community as a whole "ought to be kept in mind in the regular evaluation of the rates". These were indicators such as average earnings or net personal incomes (though the study group did not feel it proper to recommend any single national index).

But the politics of social security, which necessarily acted as a constant beacon to the study group, did not blind these civil servants to the issue of how to monitor the effectiveness of the basic social security provisions by illuminating the changing character of social deprivation. To be aware of "the current difficulties of all the variety of persons receiving assistance",

is of the very essence of the proper administration of assistance, and therefore we recommend that there should be instituted a small scale continuous survey into the circumstances, patterns of expenditure, and difficulties of recipients, something on the same lines as the Managers' Survey. This, we feel, would be of great value in that it would, at any given time, give indications of whether the shoe was pinching and, if so, where. This information, necessarily to some extent in the form of subjective judgements but considered in conjunction with the statistical evidence on the movement in prices, should give firm pointers both to the timing and to the amounts of any proposed increases in the assistance scale rates.

It is nevertheless necessary that there should be from time to time (perhaps every three or four years) a full review of the scale rates taking account of any improvements in general prosperity measured by the available data and indices. Such a review should, in our judgement, include also a full survey of the actual living conditions of recipients on national assistance so as to reflect in any new standard the changing patterns -- and problems -- of the recipients' way of life.

The Beard and Windsor Reports on the adequacy of the NA benefit rates were, within the parameters set in contemporary conceptual and practical terms, a pioneering model of departmental reviews of poverty issues, and they remain unique. Although the term 'adequacy' implies a measure of poverty, and the study group were not searching for this in sociological terms, the officials made a serious effort to relate the level of NA benefits to measures of socially-defined deprivation which would have been intellectually defensible, or which at least were open to argument. They also tried to build regular surveys of the changing social meanings of deprivation into the administration of a defensible social security system for the future. These efforts marked a major change from previous official approaches to income maintenance policy issues.

6. REACTIONS AND CONCLUSIONS.

This final section briefly reports on the fate of the Windsor Report and subsequent events.

The Windsor Report was dated August 1965, but the files [PRO:POF 25] noted that the study group finally reported in October, and it was not published, nor was any publicity given to it, other than an oblique reference to "studies which the Board have undertaken" in the NAB's Annual Report, published a year later [Cmnd 3042 p xii].⁸

The NAB had considered the report in September [Minutes of 227th meeting 22.9.65, para 16, PRO:AST 12/76; discussion of the Windsor Report is in an addendum as NAB Memorandum 1333, PRO:AST 12/85] and the chairman wrote to the Labour Government Minister (Margaret Herbison) about its implications for policy [Memorandum by the NAB Chairman to the Minister of PNI, 8.10.65, PRO:MP 268]. While MPNI officials naturally examined the report and drew up their own assessment of it, it seems that they did not recognise the move towards a minimum participation standard but still held the validity of minimum subsistence as unquestionable [MPNI Division C3, Comments on the NAB's Report on an Examination of the Adult Scale Rates, 19.1.66]. Each of these commentators raised a variety of questions, about administration, the exercise of discretion, the effect on pensioners, and about the wage stop. Space prevents any of them being pursued further here.

The new Labour Government of 1964 had intended to introduce an Income Guarantee, preferably integrated with the tax system, to relieve pensioners of being means-tested for NA, and in addition Douglas Houghton, Chancellor of the Duchy of Lancaster, was commissioned to review the social security system. In both instances, the officials involved represented all the departments and government interests affected, but neither review came to a satisfactory conclusion. Houghton's review focussed on the problems of implementing manifesto proposals (the officials' notes concentrate on ERS and graduated pensions) and the papers reveal no particular interest in adequacy issues as such. Evidence was deliberately not invited from organisations outside government circles because, as an anonymous official recorded,

few, if any of them, are likely to have anything new to say and the less time we have to spend on reading fresh statements of views already known, the better. In practice, of course, nothing we do, or do not do, is likely to make much difference to the amount of such material which we have to receive. [Memorandum, n.d., on file Review of Social Security 1964, PRO:MP 272.]⁹

The first work on the IG scheme was done, at Sargent's request, by Stowe, working with Norman Price in the Board of Inland Revenue:

[The scheme was] devised to give the 'respectability' of income tax to the means-tested benefits in the belief that thereby it would solve the problem of takeup. That failed. But the Labour government nevertheless recognised that it could never actually put the sums of money into the social security system needed to provide a general uplift of pensions to the kind of figure thought appropriate.

⁸ The only other published but covert reference to the Windsor Report, not by name, came eleven years later in the SBC 1976 Annual Report: "A study group of NAB officials who examined the adult scale rates in 1964-65 had taken the view that there was a case for allowing a margin over the normal scale rates for long-term recipients, to cover the cost of replacing household equipment and to provide for modest expenditure on personal pleasures. ... There was also a desire to raise scale rates to a level at which discretionary additions would not be needed except in really exceptional circumstances ..." [Cmnd 6910 p 210, 1977, quoted in Veit-Wilson 1989 pp 86-87.]

⁹ One of the unsolicited statements received by the committee was the first memorandum by the nascent Child Poverty Action Group, to which the author of this paper was a contributor [Field 1982 p 24; McCarthy 1986 p 41].

We walked all around this problem and never found a way of stitching the two bits together. They don't start from the same set of premises or practicalities. Tax thresholds relate to an annual tax assessment; means test benefit level relates to a weekly need assessment. Look at it which way you like, you never could -- and this was one of the reasons for the failure of the IG scheme -- it never could accommodate an annual assessment of liability to tax, and an annual assessment of entitlement to benefit, with continuous adjustment by a weekly assessment of need. [Stowe, recorded interview, 23 February 1988; see also Webb 1975 pp 444-449.]

By July 1965 the IG working party was coming round to the view that as the IG itself was subject to controls on public expenditure, it would be useful to consider other aspects of Labour Party policy such as the amalgamation of the MPNI and NAB into a Ministry of Social Security (as originally recommended by Beveridge in 1942), and the use of the better, practicable parts of IG for all of NA [Minutes of a meeting between Margaret Herbison (Minister) and the Permanent Secretaries of the MPNI (Jarrett) and NAB (Sargent), 13 July 1965, PRO:MP 308/2]. Among these better parts was the subject of higher benefit levels. Over twenty years later Sir Kenneth Stowe recalled how far this had affected the planning for Supplementary Benefits, illuminating the realities of policy-making:

Did we act because it was our considered judgement that the inadequacy of the existing rates could be quantified in some way to demonstrate that what we now needed to do was to add a new level of X? It wasn't like that at all! You started from the other end. When the IG scheme collapsed, the Minister threw a blockbuster on the table, Sir Clifford Jarrett, Donald Sargent, the Accountant-General Douglas Overend and myself [being] present. She asked the Accountant-General, "how much do I save if I hold back a shilling on the next pension increase?"; the answer was \pounds 25 million. She turned to us and said, "what could you do with \pounds 25 million?" That was how the scheme began. It never came out at \pounds 25 million: it came out at considerably more than that because the retail price index justified an increase which would have occurred anyway, and we made some offsetting savings by subsuming the exercise of discretion. [Stowe, *ibid.*]

Stowe's comments suggest an approach in which the global sum available and not individual need acted as the main factor affecting thought about the level of individual benefits. The role of research studies such as Windsor's was to act as a yardstick against which to measure the general order of the political decision on the levels of benefit, not as a template to pattern it.

In the absence of an acceptable case as compelling as categorical less-eligibility, a better means of expressing the logic of principle and finance had to be found.

The 1959 NA scale increases had very considerably increased the difficulty of dealing with wage stop cases. It was certainly in mind that we could not compound that problem even more in 1965/6 by giving another ten per cent in addition to the scale rate applied to the unemployed. The rationale of the long term addition was to subsume all the minor discretionary adjustments for this, that and the other; so it was not particularly relevant to the unemployed because they were not in receipt of very many of these minor discretionary adjustments. So there was some logic in saying it should not apply to them. But there was another compelling reason, that if you had applied it universally, you would then have had to have a larger deduction under the wage stop rules for an increasing number of people. It would have been, for them, a pointless but provocative exercise. There was certainly no thought in 1965 of abandoning the wage stop, but a strong awareness of the fact that it was already a big problem. [Stowe, *ibid.*]

The account is a nice example of the contrast between the civil servant's perception of the immediate and proximate factors affecting the expedient decision being proposed and taken, as against the observer's perception of the constraining factors which may seem to play a structuring role but are not necessarily treated as relevant or recognised at all by the decision takers. The underlying principles remained wage stop deterrence and cost. The officials were driven forward to plan change, but to do so within the limits of the parameters of concepts of need and the political practicability of certain

solutions which grew out of the pre-existing practices, and not from radically new ideas. As Beltram put it,

A lot of people were saying what was wrong. The whole ambience of this was to be able to say within a small circle, this is what really needs to be done. Now we can't afford to do it, but let's see what we can do. That was the approach, and that's what came out in 1966: what we could do with the money available. [Beltram, *ibid.*]

The Permanent Secretary of the MPNI had already voiced his personal reservations about the introduction of dual scales to the Minister on the grounds of both strategy and durability. Strategically, at a time of restricted public expenditure, he wrote to her,

Will it seem right, so relatively early in a fresh period of Labour administration, to commit ourselves to giving priority in the use of scarce finance to the improvement (not a large improvement at that) of a means-tested scheme for which a good many members of the Labour Party have in the past expressed a good deal of distaste? [Jarrett to Minister, 21.10.65, PRO:MP 268.]

The two tiers would not keep the value of their differentials, because the higher would want their special additions as well as higher rates: as long as the system was needs-based, such differentiation was unfair to those with greater needs on the higher rate. It was impossible to have both a fine examination of needs and avoid a heavy administrative load; the latter was possible only if one "deliberately ignored needs but granted rights, in the true legal sense, to a given level of resources" [Jarrett, *ibid.*].

The history of what was done is well known. What is less well known is that the rationale for the level of minimum social assistance benefit levels was never reconsidered. The levels continued to be driven by low wage rates and less-eligibility. The Chief Economic Adviser to DHSS pointed out in 1975 that "SB scale rates ... have their origin in the Beveridge budget calculations" [*'A Synopsis of Research Relevant to Determining the Adequacy of SB Scale Rates'*, PRO:SRA/12B], that is, not in the Windsor Report reform proposals, and the DHSS stated in 1979:

The real policy decisions have been to move SB rates in line with NI rates. These in turn have moved in line with movements in prices or earnings -- but on quite different assumptions about the relationship between benefit and earnings than might apply for coherently developed policy on income levels necessary to combat poverty. [DHSS 1979 p 89.]

If combating poverty is to be treated as a serious activity, we are reminded again of the question in the title of this paper: were the civil servants' responses to poverty, positive or negative, to be taken as no more than playing political games? In the continued absence of any Governmental Minimum Income Standards in the UK three decades after the Beard and Windsor reviews of the adequacy of income maintenance, the question remains open.

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