

The Objectives and Outcomes of Means Testing under
the British Welfare State

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PhD Thesis

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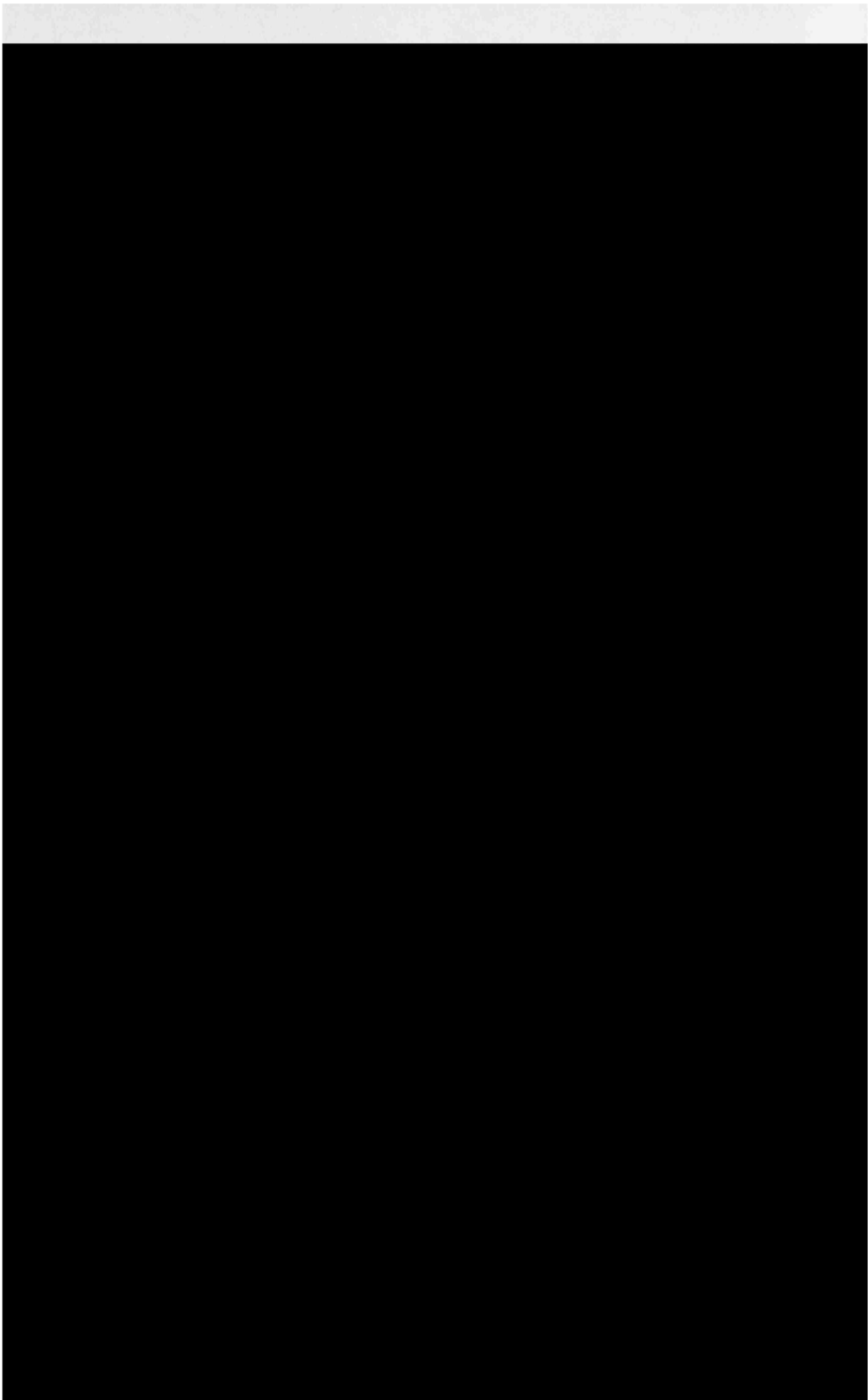
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Abstract

The principal objective of this thesis is to determine why, how and with what outcomes means tests for 'non-income-replacement' benefits were adopted in England and Wales from the mid-1960s to the mid-1990s. The approach taken is to explore four benefits: free prescription medicines; free school meals; student grants; and civil legal aid. I use documents to identify the objectives, administrative details and design of the benefits which are the focus of this thesis. The method used to find out how many and what sorts of people were eligible under the means tests is microsimulation with micro-data.

There was no high point of generosity in the mid-1970s for these benefits, as the historiography often suggests. These four benefits had very different objectives. There was also incoherence in objectives over time, as governments struggled with spending constraints rather than following a welfare ideology, which serves to undermine theories which assume that welfare states are a unified institution. The changing income levels for entitlement for benefit show that who was deemed to be 'in need' of a particular benefit shifted over time. The results show little support for the theory of middle class 'capture' of the welfare state, which implies that the influence of pressure groups on welfare state change is more subtle than that theory suggests.

Although the intention of restricting entitlement for all the benefits was achieved, they were not very well targeted on those with the lowest incomes, especially in the 1990s. This finding shows that the outcome did not meet all the stated objectives, with implications for the design of future policy. I also find that means tested benefits have embodied values, which are not necessarily made explicit as policy objectives. This, along with the failure to target effectively, demonstrates that the way a means testing policy is implemented does matter.

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List of acronyms

CPAG	Child Poverty Action Group
DES	Department of Education (and Science)
DHSS	Department of Health and Social Security
FIS	Family Income Supplement
IEA	Institute of Economic Affairs
IMF	International Monetary Fund
IS	Income Support
LAB	Legal Aid Board
LAG	Legal Action Group
LCD	Lord Chancellor's Department
LEA	Local Education Authority
NA	National Assistance
NAB	National Assistance Board
NHI	National Health Insurance
NHS	National Health Service
NI	National Insurance
PAC	Public Assistance Committee
PRO	Public Record Office
SB	Supplementary Benefit
SBC	Supplementary Benefit Commission
SERPS	State Earnings Related Pension Scheme
SSAC	Social Security Advisory Committee
UAB	Unemployment Assistance Board

1 Introduction

The principal objective of this thesis is to determine why, how and with what outcomes means tests for 'non-income-replacement' benefits have been adopted in England and Wales, and to determine what general lessons can be derived from past experience. The research makes use of economic concepts and theories developed to analyse the means-testing of income replacement benefits, and will apply these to the historical analysis of non-income-replacement benefits.

Means tests are compared through time, an historical approach to current concerns being justified by the longevity of the debate and the knowledge that policy-makers can be assisted by an understanding of the lessons of past experience. I find some results which clarify our thinking on this issue and are seen as relevant to what policy-makers are doing today. Historians are vital contributors to many social policy debates. The importance of historical understanding of the roots and development of social policy ideas and practice is recognised. As Deacon and Bradshaw pointed out: 'The importance of the means test within British social policy cannot be understood without reference to the past'¹ and their work has already set a precedent for locating the pressing social policy concerns of our times firmly in their historical context, as a means to better understanding of the issues at stake. I hope I have achieved a synthesis of the two perspectives of history and social policy, each informing and enriching the other.

1.1 Research context

Governments face the dilemma that there are deficiencies in service provision by the welfare state, but also limits on spending. The way out

¹ Deacon, Alan and Jonathan Bradshaw, *Reserved For The Poor: The Means Test in British Social Policy* (Oxford: Blackwell, 1983) p.3.

of this conundrum is greater selectivity: provide for those in greatest need and let the rest provide for themselves. As a government document put it: 'the Government's aim in the overall social security programme is increasingly expressed in terms of targeting resources effectively on the most needy in society'.² The difficulty is identifying those most in need. Usually this is achieved by some form of means test. It is taken for granted that means tested benefits target the needy. But do they? That is the question which motivates this research.

There are other ways in which resources are channelled to the poor such as housing subsidies and special subsidies to schools in deprived areas. But these policies are not *applied to individuals* and do not give rise to the same problems and issues as personal means tests.

Means tests had a pivotal position, both practically and ideologically in the development of the welfare state in Britain in the twentieth century. In the 1930s means testing of public assistance created an enduring resistance to both the theory and practice of rationing benefits according to income. As a consequence, when Beveridge produced his plans for the post-war welfare state, one of the central principles was universal flat rate contributions and flat rate benefits. However, it proved actuarially impossible to provide benefits generous enough to live off on this basis. There have been strong financial pressures to introduce greater selectivity in benefits and the response has been to restrict access according to income.

There have been ideological influences on policy towards means testing as well as financial ones. Advocates of strict means testing have been particularly influential within the Conservative party. This was translated into policy in the 1980s, when the government tightened up on eligibility

² Department of Health and Social Security, *Reform of Social Security: Programme for Action* (London: HMSO, 1985) Cited in Corden, Anne, *Changing Perspectives on Benefit Take-Up* (London: HMSO, 1995) p.1.

criteria. The trend towards means-testing continued into the 1990s, but was not uncontroversial. This was demonstrated by the passion aroused in the debates surrounding the means-testing of disability benefits in 1999.

Means tests have been the rule, not the exception, in the social services. The exceptions were free school education and free health services and 'even these exceptions are explicable rather on historical than logical grounds'.³ Means-tested income replacement benefits became more, not less, important, a trend continued in the 1990s. In the mid-1990s about 15 per cent families were on Income Support, a benefit for those considered to be in poverty. As has been pointed out: 'Over the past two decades or so the scale and the scope of means-testing within social security provision in the UK have been growing inexorably. This is a well-known policy trend; but it is none-the-less an important one'.⁴ To conduct a discussion about the direction of future policy without serious consideration of current and past experience in a society riddled with means tests makes a nonsense of considered social policy.

The history of the means-testing of *income replacement* benefits is well known, from the Victorian Poor Law then to National Assistance, to Supplementary Benefit, and to Income-Based Jobseeker's Allowance and Income Support in the 1990s. There exists a substantial historical and theoretical literature on means testing in relation to such 'subsistence' benefits for those out of work.

Means-tested benefits can attempt to serve as a general safety net, meeting all economic necessities, but on the other hand they can be

³ Macleod, Iain and Enoch Powell, *The Social Services: Needs and Means* (London: Conservative Political Centre, 1952) p.10.

⁴ Alcock, Pete and Sarah Pearson, "Raising the poverty plateau: The impact of means-tested rebates from local authority charges on low income households," *Journal of Social Policy* 28, no. 3 (1999): 497-516 p.497.

restricted and directed towards one specific item of consumption. There exists a parallel, yet largely unknown, history of means-testing relating to such *non-income-replacement* benefits. These 'non-subsistence' benefits serve to decide whether a person should be exempted from, or have refunded, all or part of a particular charge or levy. I refer to these as 'non-income-replacement' benefits to distinguish them from the main means tested social assistance benefits.⁵

There is a whole raft of such benefits. Access to legal aid, pharmaceuticals, optical and dental treatment, university education, housing grants, relief from local taxes, subsidised public transport, social care and school meals have been subject to occasional or enduring means-testing in the twentieth century. These means tests have been operated according to widely differing principles and with different rules by a diversity of public and quasi-public authorities, and they have been applied to people with very different socio-economic characteristics. Indeed, variety is the keynote of this kind of means test.

The standard applied for poor relief, national assistance and its successors was to maintain the applicant at or just above subsistence level. But, it was argued, it is not reasonable that a person should have to reduce himself to subsistence level in order to educate his children, get treatment for sickness and so on. This led to the view that: 'In other social services, another standard is appropriate. ... From the first, therefore, entirely separate means tests have been operated for these other purposes'.⁶ One might argue that non-income replacement benefits would not matter if social assistance was more generous, and brought people above subsistence level. Although one can make arguments in

⁵ Income maintenance benefits, namely National Assistance, Supplementary Benefit, Income Support, Family Income Supplement and Family Credit.

⁶ Macleod, Iain and Enoch Powell, *The Social Services: Needs and Means* (London: Conservative Political Centre, 1952) p.15.

favour of raising the level of the safety net benefits, that approach does not address the treatment of non-recipients of social assistance or the issues relating to means testing which exists much higher up the income distribution.

Diversity has been a long-standing feature. In the early twentieth century the *Minority Report of Royal Commission on the Poor Laws* noted the sheer variety of means tests undertaken by various bodies for exemption from or reduced charges for services:

'These powers differ from service to service and from Authority to Authority, alike in the amount or proportion of expense that is chargeable, in the discretion allowed to the Authority to charge or not to charge as it sees fit, in the conditions attached to the charge or exemption from payment, in the degree of poverty entitling to exemption, in the degree of relationship entailing payment for dependents, and in the process of recovery and its effectiveness. This chaotic agglomeration of legal powers, conferred on different Authorities at different dates, for different purposes, but all alike entailing on the individual citizen definite financial responsibilities, proceed upon no common principle'.⁷

In 1954 a survey of means testing for local authority provided services noted diversity too:

'The local authorities covered in this survey have widely differing methods of assessment and there is little uniformity either between authorities or between different departments of the same authority.'⁸

And also suggested a cause:

'The various services have grown independently and the assessment and collection procedures that have been evolved have often been determined by rule of thumb methods which

⁷ Wakefield, H. Russell et al., *Royal Commission on the Poor Laws: Minority Report* (1905) p.286.

⁸ Institute of Municipal Treasurers and Accountants, *An Investigation into the Problem of Assessment Scales* (London: Institute of Municipal Treasurers and Accountants, 1954) p.12.

appear inequitable when comparisons are made between services and authorities.⁹

The largest means-tested benefit, known as public assistance in the 1930s, and going through many subsequent modifications to become today's Income Support or Jobseekers' Allowance, has received by far the most attention in the literature. The other major means-tested benefits are Housing Benefit and Family Credit (and its relations), and they have also been thoroughly analysed by social policy experts. There is a much smaller pool of literature devoted to the specific means-tests which this thesis intends to cover. The *Minority Report* mentioned above noted how little was known about such means tests:

' ... this jungle of personal liabilities and what are in fiscal science technically called "special assessments" is practically unexplored. In no branch of our subject have we found it so difficult to ascertain the exact facts'.¹⁰

It still remains the case that this important area is relatively under-researched. Debate about non-income-replacement benefits has been driven by ideological arguments about what these benefits *should* (or should not) be doing rather than by sociological interest in finding out *what* these benefits are doing and why.

In general, understanding of the major transfers has been aided by the development of economic concepts and theories which have not so far been extended to the more 'marginal' benefits. For example, incentives to labour market behaviour, savings, retirement behaviour and family formation are all affected by means tests, and this has long been recognised in relation to subsistence benefits. This has given rise to

⁹ Institute of Municipal Treasurers and Accountants, *An Investigation into the Problem of Assessment Scales* (London: Institute of Municipal Treasurers and Accountants, 1954) p.47.

¹⁰ Wakefield, H. Russell et al., *Royal Commission on the Poor Laws: Minority Report* (1905) p.286.

concern about how means tests may create a 'poverty trap'. It is clear that non-income-replacement benefits may also create disincentives and traps, either when working on their own, or when layered on top of benefits providing a subsistence income. The poverty trap and other disincentives are not new problems, but have taken on a new political and policy profile. In particular, the problem is: '...taking on new and more complex practical forms, because of the rapidly growing use in the 1990s of means-testing to determine access to an ever wider range of benefits and services by local, as well as central, government'.¹¹ This research will attempt to identify the incentives created by various types of non-income-replacement benefits.

Means tests are used to distribute millions of pounds worth of cash and in kind 'non-income-replacement' benefits every year. Whilst the sums of money involved may be relatively small in the context of the government's budget, whether a person is found eligible for a specific type of help or not can have a far-reaching effect on the ability of that person to participate in society and consequent risk of social exclusion. For instance, the CPAG 'regards the provision of basic legal services as being almost as important to the poor as the guarantee of a minimum income'.¹² As another example, in a recent survey¹³ about indicators of poverty, 90 per cent of people identified receiving 'all medicines prescribed by a doctor' as a necessity, which suggests that pharmaceutical benefits are perceived as important for preventing living standards dropping from dropping too low. The receipt of 'fringe' benefits can make a significant difference to effective disposable income

¹¹ Alcock, Pete and Sarah Pearson, "Raising the poverty plateau: The impact of means-tested rebates from local authority charges on low income households," *Journal of Social Policy* 28, no. 3 (1999): 497-516 p.498.

¹² Field, Frank, "Establishing a free legal service for poor people," *Poverty* 24 (1972) p.9.

¹³ Gordon, D. and P. Townsend, *Breadline Europe* (Bristol: Policy Press, 2001) Table 4.5.

at the margin for some individuals and deserves to be integrated into our knowledge of budget standards and distribution. Non-income maintenance benefits are an important element of the 'social wage', the concept that non-cash benefits are a significant part of a government's policy on income and living standards. Moreover, research shows that receipt of a small amount of benefit is a common experience in societies with a well-developed welfare system.¹⁴ Therefore these benefits need to be taken into account in studies of how welfare benefits have affected incomes. A comparison of how well different schemes compensate for income barriers to participation will be informative.

Nevertheless, the amounts of money involved in these schemes are small in relation to that spent on income support. This perhaps explains why correspondingly less effort has so far been dedicated to understanding what the social objectives of these schemes have been, how these were translated into principles on which to base a means test, how the outcome of the means-testing process is related to the objective desired at the outset and finally, how they interact with the major income-replacement benefits.

Policy on means-tested non-income-replacement benefits has been made by individual departments seeking solutions to particular problems, rather than made collectively at a high level. The introduction of non-income-replacement benefits has generally been a chaotic and contradictory process, with different departments pursuing different principles and practices. Incrementalism in policy has resulted in a messy system. Furthermore, the narrow day-to-day nature of the concerns of each separate means-testing organisation has had the consequence that there is no documented understanding of how schemes compare and

¹⁴ Shaver, S., "Universality or Selectivity in Income Support to Older People? A comparative assessment of the issues," *Journal of Social Policy* 27, no. 2 (1998): 231-254 p.243.

contrast between one another or over time and how they all 'fit together'. It is therefore useful to bring together and compare different policies, as I do in this study.

1.2 Research aims and approach

Previous histories have concentrated mainly on the administrative history and changes in the law, government policy, and the amounts of money which were spent on welfare services. But they have not explored the impact of the administration and legal regulations on the clients they were attempting to help. The chief justification for means tests is that they target the resources on the most needy. But did they? I focused on the *outcomes*, as opposed to the inputs into welfare services. In other words, did changes in the administration and formal regulations make a difference to people 'on the ground'? Maybe the means tests had unintended effects. A deficiency of previous studies is that information on outcomes over a period of time was not available. Previously we had little information on who were the winners and losers. Survey evidence suggests that British people are concerned that the benefits system is poorly targeted. In 1994, 72 per cent agreed that 'many people falsely claim benefits', but on the hand, 80 per cent agreed that 'many people fail to claim benefits they are entitled to'.¹⁵ There is little point in having welfare measures in place if they have no substantive effect.

Selectivity by income testing can be achieved either at the point of consumption, or at the point of financing (where the role of taxation becomes critical). What seems to be selectivity on the consumption side can be undone by counteracting policy on the taxation side. However, this thesis will only consider the consumption side. A project for future

¹⁵ Williams, Teresa, Maxine Hill, and Rachael Davies, *Attitudes to the Welfare State and the Response to Reform: A report of qualitative and quantitative research on attitudes to the welfare state and to proposals for reform* (Leeds: Corporate Document Services, 1999) p.38.

research could be to integrate information about the receipt of these non-income-replacement benefits with what is known about the distributional effect of the tax system.

A problem for this research is that sorting out the objectives and effects of means tests is a complex subject. 'Need' is central to means-testing systems. As with the concept of 'poverty', so too 'need' is an elusive concept. The aim of means-testing is to 'target' benefits on the most 'needy' cases. Targeting of transfers can be discussed in relation to the distinction between vertical efficiency and horizontal efficiency developed by Weisbrod: 'Two issues are involved, having to do with the accuracy of the program in assisting *only* the "target" group, and the comprehensiveness of the program in assisting *all* of that group'.¹⁶ But in the real world when trying to identify deserving recipients for a benefit there are many issues to consider. Although it can be agreed that there should be no discrimination between 'equals' (horizontal equity), defining who is horizontal with whom is a problem, and how it has been resolved in practice may be revealing. Some examples of difficulties in identifying deserving cases are:

- Over what time period to measure income?
- Which family members' income to take into account?
- How to distinguish those with high needs from those with profligate expenditure?

Clearly 'need' is a slippery concept. Deciding who is needy and operationally targeting that group is difficult. Sorting out the objectives and effects of means tests is complex. Arguably, it is not for the analyst to say who are the needy. Yet central to the study of means tests is need and

¹⁶ Weisbrod, B.A., "Collective action and the distribution of income: a conceptual approach," in Haveman, R.H. and J. Margolis, eds., *Public Expenditure and Policy Analysis* (Chicago: Markham, 1970) p.125. Cited in Atkinson, A.B., *Incomes and the Welfare State: Essays on Britain and Europe* (Cambridge: Cambridge University Press, 1995) p.228.

the effectiveness of responses to it, with the aim of producing theory on the concept of 'need' in relation to non-income-replacement benefits.

Therefore the approach taken is to explore just four benefits and adopt more manageable research questions: Who was thought to be needy? (Chapter 5) What means tests were used to try and reach the needy? (Chapter 6) What was the outcome? (Chapters 7-8) Emphasis on a few specific non-income-replacement benefits will let me address sub-questions not explored in the existing literature such as: Has the British welfare state evolved in a coherent way? Was the pattern in eligibility for subsistence benefits mirrored by that for non-income-replacement benefits? (Chapter 9)

1.3 The means tested benefits studied

Every selective measure involves highly specific problems. To some extent therefore each measure requires separate discussion. The focus of this study will be on four benefits used in England and Wales from the 1930s to the 1990s: free prescription medicines; free school meals; student grants; and civil legal aid. I intend to concentrate on these benefits while relating them to each other and complementing the extensive literature on subsistence benefits.

A simplistic distinction can be made between those benefits which are available to people whose resources are below a certain level (such as Income Support) and those which in contrast are conditioned on other characteristics, such as falling into a certain category (e.g. the unemployed) or having specific needs (e.g. the disabled). Rationing of some services, like day nurseries and home helps is mainly according to professional judgement of need. However, in practice, eligibility for the benefits to be considered in this study is subject both to status/need *and* the testing of means.

Why were these four benefits in particular chosen? Limits of time and efficiency dictated that only a limited sample of means tests could be studied. There is no established methodology for choosing a sample of case-studies. Often, historians try to argue that their case study is 'representative' of a town, an industry, or whatever. Actually, every case is unique, and it is very hard to prove 'representativeness'. This sample was selected to include benefits which have a long history, back to the early twentieth century. Their eligibility levels have all been the subject of public controversy at one time or another. Two of the benefits - pharmaceutical benefits and free school meals - were aimed at lower income groups. As a contrast, the other two benefits - student grants and civil legal aid - have at times been available to the middle classes. In addition, a range of government departments have been involved in the administration of these benefits, which means that such comparison of them has not been done previously.

Free prescription medicines were provided to defray the cost of prescription medicines. Benefits apply to medicines prescribed in the community, as distinct from hospital in-patient prescriptions or preparations obtained over-the-counter.

Free school meals were midday main meals for primary and secondary school-children. Free milk and provision for pre-school children are not considered here.

Student grants were maintenance grants given towards the living costs of undergraduate students on certain degree courses.

Civil legal aid existed to defray the cost of legal fees. This was a different scheme from criminal legal aid which is not examined in this study.

Under the 1974 *Act* advice and assistance were separate systems from 'legal aid'. Under the 1988 *Act*, 'legal aid' became a generic term for the

provision of publicly funded legal services, and the different aspects were known as 'advice', 'assistance', and 'representation'.¹⁷ This thesis is concerned with representation only. The legal profession in England and Wales is split into two separate bodies – solicitors and barristers. The client first consults a solicitor, who handles his case from start to finish and with whom his is in direct contact. In practically all the higher courts, however, barristers (counsel) have sole right of audience and the client's instructions are passed to the counsel chosen through the solicitor. Recipients of civil legal aid had to satisfy a merit test as well as a means test to determine whether they have a reasonable case, but only the means test element is considered in this study.

1.3.1 Value of the means tested benefits

The purpose of this section is to present data which establish the importance over time of the non-subsistence benefits that are the subject of this study. This statistical analysis shows that although school meals, pharmaceutical benefits, student grants and civil legal aid formed a very small proportion of government spending, they were valuable to those who received them.

The combination of the value of the benefit to the recipient and the size of the eligible population gives a means tested benefit its distinctive character of giving 'much to the few' or 'little to the many'. The size of the population covered will be investigated in subsequent chapters. However, this section examines the value of the income-tested benefits, not only in absolute terms, but also in relation to the family income.

The intellectual arguments for providing in-kind goods (such as means tested free school meals and free prescriptions) are based on theories of merit goods and positive externalities. These arguments are not captured

¹⁷ Matheson, Duncan, *Legal Aid: The New Framework* (London: Butterworths, 1988) p.7.

in the practice of calculating cash equivalents in order to determine their contribution to the distribution of income and real welfare levels. It is not clear how to value non-transferable in-kind income according to the exchange value which money income is. Thus attributing cash values to in-kind benefits perhaps under-values their worth. Table 1-1 shows the value of the benefit to the applicant at the four dates which are used for comparison in this study. The amounts of student grant refer to the grants for an academic year following 1965, 1975, 1985 and 1995 respectively, because the means test assessed income in the previous financial year, rather than current income. Thus, income in mid 1985, for example, would determine eligibility for a student grant starting in October 1986.

For the benefits which were provided in-kind (free school meals, free prescriptions, civil legal aid), 'value' in this context refers to the cost of the item had the beneficiary to pay for it. By value I mean how much the rebate was worth. For example, people who pay for an NHS prescription medicine still get a subsidy, but a lower subsidy than people who get their medicines free.¹⁸ But here I am referring to the value of the exemption from the charges one would otherwise pay, rather than the cost of the drugs on the open market.

¹⁸ Some prescription medicines cost less than the NHS prescription charge to buy privately. However, on average, a free prescription received a subsidy considerably greater than the prescription charge, even after the prescription charge was greatly increased in the 1980s. Similarly, school meals received a subsidy greater than the cost of paid-for school meals.

Table 1-1 Nominal value of means tested benefits

	Free school meals	Prescription medicines	Student grants (min)	Student grants (max)	Civil legal aid
	Per week	Per item on prescription	Per year	Per year	Per case (net cost) ¹⁹
1965	5s. (25p) per week.	N/A. No prescription charge.	£50	From £50 to £340 (£370 in London and Oxford and Cambridge Universities). ²⁰	£42.44
1975	£0.75 per week. ²¹	£0.20 per item on prescription.	£50	From £50 to £875 (£955 in London). ²²	£82.40
1985	Approx £2.50 per week, but dependent on nature of meal provided. ²³	£2.00 per item on prescription. ²⁴	N/A. No minimum grant	From nil to £1,901 (£2,246 in London). ²⁵	£409.34
1995	Approx £5.50 per week, but dependent on nature of meal provided. ²⁶	£5.25 per item on prescription. ²⁷	N/A. No minimum grant	From nil to £1,710 (£2,105 in London). ²⁸	£1,723.00

¹⁹ Calculated from Legal Aid Board annual reports.

²⁰ Academic year 1965/1966, in respect of residence in college, hall, hostel or lodgings (i.e. not in parental/husband's home) not including additions for mature students and dependants or additional payments for vacation study, travel and instruments.

²¹ From April 1975.

²² Academic year 1976/1977, not including additions for mature students and dependants.

²³ Estimated from Bradshaw, Jonathan, "Tried and found wanting: the take-up of means-tested benefits," in Ward, Sue, ed., *DHSS in Crisis: Social Security - under pressure and under review* (London: CPAG, 1985).

²⁴ From 1 April 1985.

²⁵ Academic year 1986/1987, not including additions for mature students, dependants or additional requirements. For comparison, in 1983/84, 3.2% of students got the addition for mature students, 1.7% got the addition for dependants, and 0.4% got the additional allowance. This amounted to 2% of the total expenditure on mandatory student grants. (Calculated from *Hansard*, v. 81, 27 June 1985, Written Answers, col. 461).

²⁶ Estimated from figure of £1.28 per school meal in 2000 from CPAG.

²⁷ From 1 April 1995.

A note of caution is necessary before interpreting these figures: one needs to bear in mind whether the nature of the benefit has remained the same over time when comparing the changing monetary value of the benefit and/or eligibility figures. For example, from 1962, any student who was in principle eligible for a grant was entitled to have his or her tuition fees paid regardless of parental income or the student's own income. Another example: school meals, which, it was alleged, had deteriorated in nutritional value since minimum nutritional standards were scrapped in 1980. In the case of prescription medicines, a 'limited list' was introduced, which restricted the medicines which doctors could prescribe on the NHS.

The value of civil legal aid was nil to some beneficiaries because the legal aid fund had a claim on any 'winnings' of a funded client, so legal aid represented a grant of money to a litigant who was unsuccessful, but a loan to one who won. In the 1970s about one-third of all contributions paid were ultimately returned to assisted litigants.²⁹ For personal injury, this figure was as high as 77 per cent. In addition, some recipients of legal aid had to make a contribution towards the cost of their case from their own resources. In some cases contributions were returned because it turned out to cost less than the maximum contribution assessed. In both these circumstances legal aid enabled an applicant to pay by instalments over an extended period, but it was of no financial benefit to the client. In both of these two scenarios, civil legal aid acted as an insurer rather than a hand-out, taking away the risk of the case becoming very costly.

Another example again is the civil legal aid scheme, which was introduced gradually, with courts for which legal aid was available

²⁸ Ordinary maintenance for academic year 1996/1997, not including additions for mature students, dependants or additional requirements.

²⁹ Partington, Martin, *The Legal Aid Means-Tests: Time for a Reappraisal* (London: Child Poverty Action Group, 1978) p.15.

gradually being extended. For example, only from January 1956 was civil legal aid available in county courts. So the number of applications for civil legal aid was related to exogenous changes in the law and the courts in which legal aid was available, as well as changes in the financial conditions for eligibility.

Another aspect of the nature of a benefit is any restrictive condition, other than income, which was attached to its receipt. In fact, I have not found evidence of any behavioural conditions, such as work-seeking behaviour, which affected eligibility. The restrictions attached were in connection with the purposes for which the benefit could be used. For instance, pharmaceutical benefit was only available against NHS prescription medicines, not over-the-counter remedies or private prescriptions.

Table 1-2 Real value of means tested benefits (1995 prices)³⁰

	Free school meals	Prescription medicines	Student grants (min)	Student grants (max)	Civil legal aid
	Per week	Per item on prescription	Per year	Per year	Per case (net cost) ³¹
1965	£2.52	N/A. No prescription charge	£503	£3420	£427
1975	£3.27	£0.87	£218	£3820	£359
1985	Approx £4.00	£3.15	N/A. No minimum grant	£3000	£645
1995	Approx £5.50	£5.25	N/A. No minimum grant	£1710	£1723

Sources: Gordon, Chris, *The Welfare State: Sources of Data on Government Expenditure* (London: Suntory-Toyota International Centre for Economics and Related Disciplines, London School of Economics, 1988) Table 2 Retail prices: general index of retail prices: All items; *Employment Gazette*, January 1989, 6.4 Retail prices: General index of retail prices: All items; *Labour Market Trends*, June 2000, H.14 Retail prices: General index of retail prices: All items.

Table 1-2 shows the real value of the means tested benefits at various points in time. Minimum and maximum values for student grants are given because from 1962 to 1982, however high was parental income or the student's own income, any student who was in principle eligible for a

³⁰ Calculated using the Retail Price Index

³¹ From *Annual Reports* of the Legal Aid scheme published by LCD and LAB.

grant was entitled to the 'minimum grant'. The minimum grant was also paid where the student and/or parent chose not to undergo assessment.

In interpreting the table, one should bear in mind that the value of free prescriptions depends on how many a person has. In 1985, if a person had the average number of prescription items per year (6.8 per capita), then free prescriptions would be worth £21.42 a year, or 41p a week (1995 prices). In 1995, the average number of prescriptions items per person per year had gone up, and if a person had the average number of prescription items per year (8.8 per capita), then free prescriptions would be worth £46.20 a year, or 89p a week.

Chart 1-1 Real value of exemption from payment for school meals, per week (1995 prices)



Chart 1-2 Real value of exemption from payment for NHS prescriptions, per item (1995 prices)



Chart 1-3 Real value of max. and min. student grant, per annum (1995 prices)

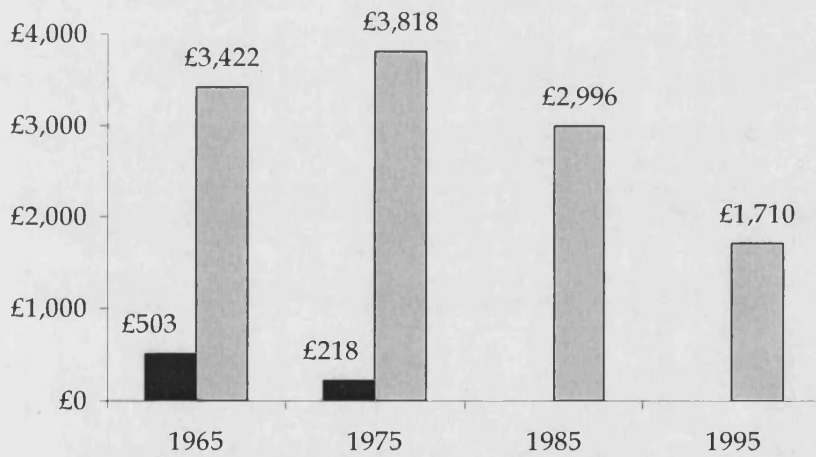


Chart 1-4 Real value of civil legal aid, net expenditure per case (1995 prices)



What drove the changes in the real value of the benefits? In the case of school meals and pharmaceutical benefits, the increase in the value of the benefit over time *does not* indicate increased generosity. Instead, higher charges for prescriptions and school meals for those who paid for them meant the associated means tested benefits for these became more valuable: The actual in-kind benefit remained the same. The in-kind benefit also remained the same for legal aid. Only with student grants was there a change to the monetary value of the benefit (a cut).

Table 1-3 shows the value of the means tested benefits in relation to average earnings. Student grants were of significant value to workers on

... earnings. However, workers earning round about average earnings were probably not eligible for school meals or prescriptions anyway: of greater relevance is the value of those whose income was low. The following four charts (Chart 1-5 to Chart 1-8) give a guide to how much the means tested benefits were worth to a family whose income was about subsistence benefit level.³² 5 per cent or so of weekly benefit

may sound a small amount, but it makes a difference to someone on this low level of income.

Table 1-3 Value of means tested benefits as a proportion of average earnings

	Free school meals	Pharmaceutical benefits	Student grants (minimum)	Student grants (maximum)	Civil legal aid
	Per week	Per item on prescription	Per year	Per year	Per case
	As a % of average weekly earnings ³³	As a % of average weekly earnings ³⁴	As a % of average annual earnings ³⁵	As a % of average annual earnings ³⁶	As a % of average annual earnings ³⁷
1965	1.3%	N/A	5%	35%	5%
1975	1.4%	0.4%	2%	32%	3%
1985	1.5%	1.2%	N/A	21%	5%
1995	1.6%	1.6%	N/A	10%	10%

Sources: Calculation from Bradshaw, Jonathan and Tony Lynes, *Benefit Uprating Policy and Living Standards* (Social Policy Research Unit, 1995), Table 3.1; *Employment Gazette*, August 1977, Table 126 Earnings and hours: Great Britain: manual and non-manual employees: Average weekly and hourly earnings and hours (New Earnings Survey estimates), All industries (excluding those whose pay was affected by absence) Males and females 18 years and over; *Employment Gazette*, January 1989, 5.6 Earnings and hours: Average weekly and hourly earnings and hours: manual and non-manual employees, All industries and services (excluding those whose pay was affected by absence) Full-time males and females on adult rates; *Labour Market Trends*, June 2000, E.14 New Earnings Survey: Average earnings and hours of all full-time employees by industry group, All industries, All weekly earnings. Note: the value of civil legal aid appears low, but the net costs per legally aided case were indeed low up to the mid-1980s.

The value of the benefit as a proportion of subsistence benefit varies according to family composition. I investigated the value of the means tested benefits to families of different compositions: single householders and couples, and families with between one and four children of various ages. I have charted in Chart 1-5 the value of the benefit to the family type which would receive the *highest* amount of benefit relative to their usual income and the family type which would receive the *lowest* amount of benefit relative to their usual income. I have also indicated the mean

³³ Rounded to nearest 0.1%.

³⁴ Rounded to nearest 0.1%.

³⁵ Rounded to nearest 1%.

³⁶ Rounded to nearest 1%.

³⁷ Rounded to nearest 1%.

value (the average of the value of the benefit to those two family types). I have used this approach to indicate the spread of the value of the benefit, and to avoid the pitfalls trying to choose a 'typical' family composition.

Chart 1-5 Value of free school meals as a proportion of the main income replacement benefit, per week (during school term)

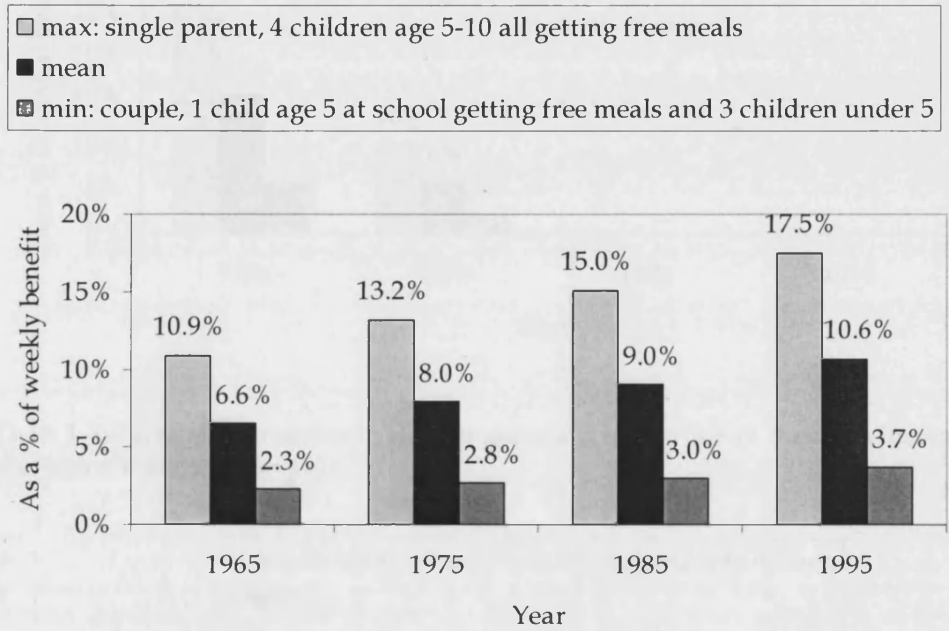


Chart 1-6 Value of prescription medicines as a proportion of the main income replacement benefit, per item on prescription

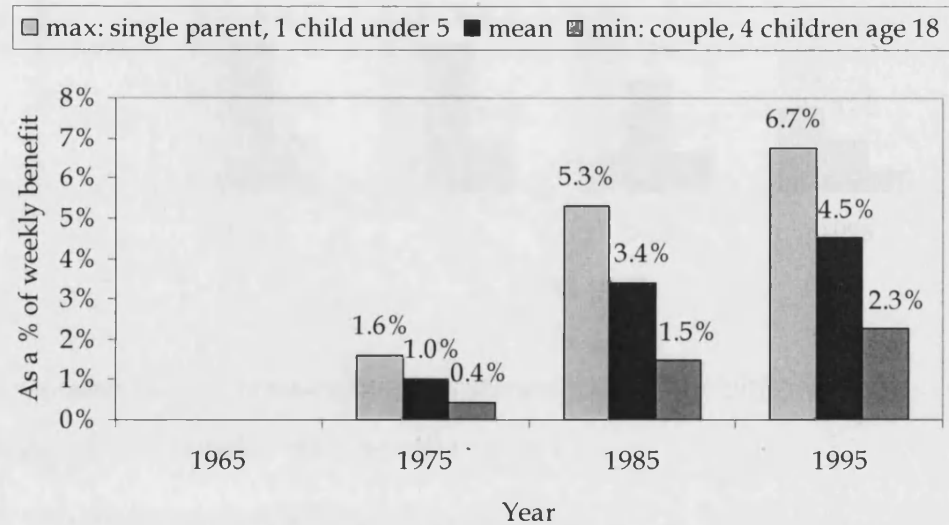


Chart 1-7 Value of the minimum student grant as a proportion of the main income replacement benefit, per year

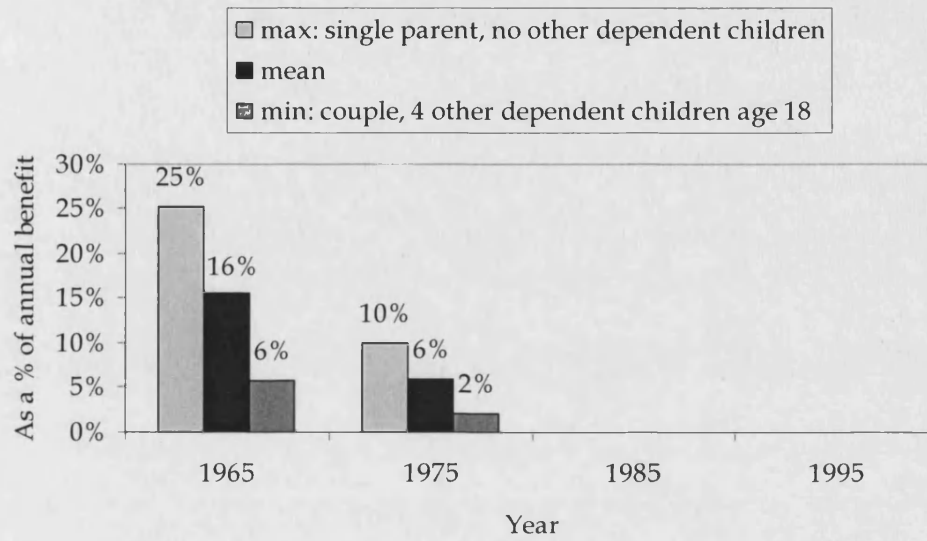
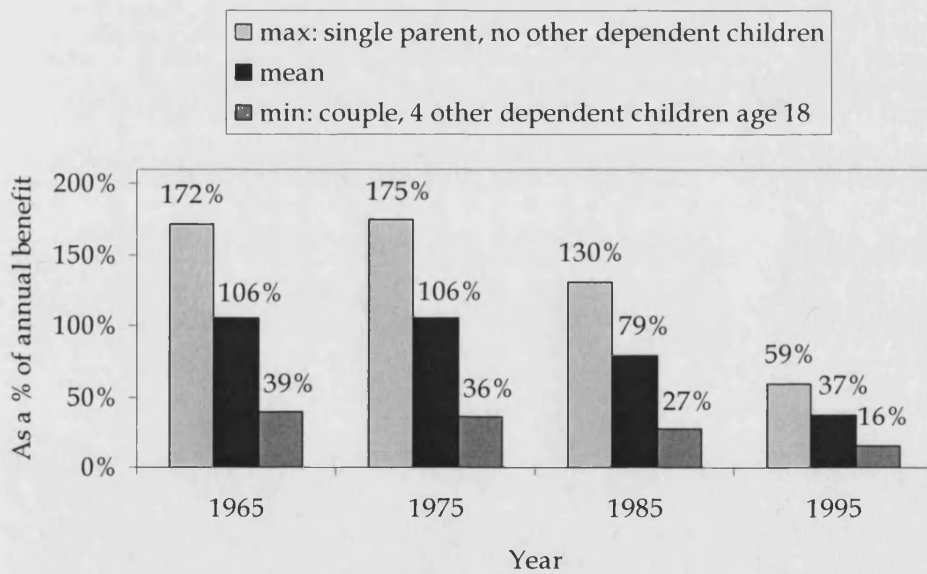


Chart 1-8 Value of the maximum student grant as a proportion of the main income replacement benefit, per year



- people with fewer rather than more children (with the exception of school meals when all children were eligible for them).

One might argue that benefits are actually 'worth more' to families with more children, because their outgoings are higher than families with fewer children. However, the analysis here rests on the assumption that the subsistence benefit is at a level fully adequate to cover the necessary expenses of each type of family, and a marginal pound of extra income over and above that has the same value to each type of family.

1.4 Research questions and method

This study describes various different means tests and analyses how they operated. It demonstrates the consequences that follow from choosing a particular form of test, and how well they meet the desired outcome. In this section I describe the method used to investigate each of the sub-questions addressed in this thesis.

1.4.1 Theory and historiography (Chapters 2-4)

The next chapter briefly outlines the theory and historiography of the welfare state. In the next chapter, Chapter 3, I explain why means testing acquired such a bad reputation in the 1930s. I also identify the possible alternatives to a policy of means testing, but find that there were political constraints on implementing these alternatives. Then, in the same chapter, I propose what I consider to be the remaining problems with a policy of means testing. The following chapter, Chapter 4, relates the broad political and administrative context in which welfare policy evolved between the 1930s and the 1990s to the specific benefits which are the focus of this study. It describes the timing and nature of the major changes to the specific non-income-replacement benefits which are the focus of this thesis and tries to identify general patterns in the development of means tested non-income-replacement benefits. This kind of account, which pulls together several non-income maintenance

benefits, is not available in any single published source. Therefore, in Chapter 4 I fill in the gaps left by existing accounts of the development of the welfare state.

It is not my purpose to explain the growth of means testing: I take that as a 'given'. Nor do I try to explain why governments have rejected the alternatives to means testing. There are other works that answer that particular question.³⁸ Discussion in this thesis is limited to specific benefits which it had already been decided would be means tested. In other words, I do not discuss in depth the merits of providing a particular service on a means tested basis rather than free of charge for all. Nor do I discuss the most desirable balance in the overall welfare system between means tested and non-means-tested benefits. I also assume a given level of resources has been allocated to provision of the service and therefore I do not consider in depth how the means test adopted may affect taxpayer support for provision of the service.

The main body of the study examines in detail the structure and operation of each means test at several points in time. The central question can be broken down into its distinct elements. Considering each means test the following points are addressed.

1.4.2 What were the objectives of means tested benefits? (Chapter 5)

This chapter answers the 'why?' of means testing – what were the intentions behind it? The method at this stage is to use documents to identify why means tests existed, the underlying principles and the issues that means-testing was thought to raise. In other words, who did politicians, civil servants, interest groups, 'experts', professionals and potential claimants think was needy?

³⁸ For example Deacon, Alan and Jonathan Bradshaw, *Reserved For The Poor: The Means Test in British Social Policy* (Oxford: Blackwell, 1983)

Policies in this area have been made incrementally in response to day-to-day pressures, rather than to a co-ordinated plan. Means testing schemes have been introduced, abandoned, amended or extended in a series of ad hoc bargains between individuals in government departments and by lengthy horse trading. Pressure groups such as the Child Poverty Action Group and interest groups such as the Law Society are also stakeholders who have tried to influence these means tested programmes. Therefore in some instances it is hard to determine what the social objective was because none was stated or there was there was disagreement among the interested parties. Indeed, disagreement or lack of clarity about social objectives might be central to the problem of designing appropriate means tests. The previously mentioned *Minority Report* found that there was:

‘no common or consistent principle discoverable in the medley of clauses in the different statutes of the past three centuries, defining the pecuniary obligations of individual citizens for services rendered by the Local Authorities to themselves or to their relations’.

And so recommended that:

‘The first need appears to be the adoption by the Legislature of some definite principle according to which these special assessments should be made, and its uniform application, by express enactment, to all these various kinds of services’.³⁹

Were such principles ever adopted? And did the same principles apply across the range of benefits? At this stage I identify the economic concepts employed by the means tests, or determine whether the concepts of the existing theory are adequate for explicit formulation of the problem.

³⁹ Wakefield, H. Russell et al., *Royal Commission on the Poor Laws: Minority Report* (1905) pp.308-309.

1.4.3 What were the operational designs of the means tests? (Chapter 6)

The aim of this chapter is to use documentary evidence to identify the administrative details and operation of the means test - and what were the practical rules. This answers the 'how?' aspect of means test design. I propose that the 'how?' of design is value-laden. I also look at the overall complexity of the means tests in terms of the number of pieces of information they require from the applicant, and assess in which year means testing was the most complex and demanding in terms of the amount of information the applicant needed to give.

1.4.4 What were the outcomes of means tested benefits? (Chapters 7-8)

I next examine at the micro-level the outcomes of these benefits. By 'outcome' in this context I mean the numbers and kinds of people eligible. 'Micro-level' refers to looking at how different types of families fared, rather than average effects. The method used to find out how many and what sorts of people were eligible under the means tests was microsimulation with micro-data. This is a technique that uses survey data, and was not available to policy-makers at the time because the then-available computers were inadequate. In this case, the use of the microsimulation technique enabled outcomes to be investigated, and I believe that to ask 'what were the outcomes of the means tests?' is a legitimate question, and one that affects our understanding of the history of the welfare state. It focuses on the changes that were happening from the perspective of benefit recipients, rather than the legislative changes. Previous historical research tended to concentrate on administrative changes by the bodies charged with running the means test. There was only speculation as to how the population would be or had been affected

by them.⁴⁰ But I can relate administrative changes to any changes in outcome, a different way of assessing the history of means tested benefits.

1.4.4. How many people were eligible?

The first issue I address is the actual levels of eligibility for the means tested benefits. I looked at actual eligibility in 1975, 1985 and 1995. This answers the direct factual question: 'how many people were eligible?' I chose to look at this question since the size of the population covered by an means-tested benefit is an important aspect because it defines what the benefit is as a social phenomenon: the combination of coverage and value of the benefit gives a benefit its distinctive character of giving 'much to the few' or 'little to the many'.

It used to be the case that there were few estimates of eligibility for the benefits which are the subject of this study. Even as late as 1982, a Child Poverty Action Group pamphlet about free school meals admitted that 'the numbers of children eligible is simply not known'.⁴¹ As another example, in 1971 a Parliamentary Answer regarding the numbers eligible for free prescriptions could not be provided because 'it is very difficult to make an estimate of those eligible for exemption from charges and those in receipt of them, because many people who are eligible are never sick, and therefore there is no record of their ever claiming'.⁴² Now, however,

⁴⁰ The exceptions were publications produced by campaign groups, such as the Child Poverty Action Group and Legal Action Group, which contained evidence from their experience of how the regulations were working in practice. These were not historical, but social policy orientated papers. How policies worked in practice has been a relatively new concern even to social policy. The trend seems to have been encouraged by the emphasis the government now places on monitoring outputs and outcomes against 'value for money' criteria and in an effort to direct resources towards 'what works'. There is a journal *Evaluation* (Sage publications) dedicated to 'evidence-based policy making'. The very existence of this journal shows that policy evaluation is complex. But the evaluation of policy approach has had hardly any impact on welfare state history.

⁴¹ Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) pp.14 and 26.

⁴² *Hansard*, v.826 15 November 1971, col. 180.

such estimates can be made using techniques that were not available to policy-makers at the time. In Chapter 8 I compare my eligibility estimates with the scarce other estimates of eligibility that are available.

To examine the numbers eligible for these benefits I used the technique of microsimulation modelling, an established method routinely used in government for analysing the distributional effect of tax and transfer policies.⁴³ Microsimulation models use micro-data on persons (or households, or other units) and simulate the effect of policies on each of these units. Tax and benefit policies will often have unexpected, as well as the expected, consequences. Microsimulation is an excellent method for detecting otherwise unanticipated outcomes. Most commonly, microsimulation modelling uses micro-data from representative household surveys or administrative data. Often a policy change is modelled so that the impact on individuals and households before and after the change can be analysed.⁴⁴ The results can be aggregated to show the overall effect of the change or can be analysed at the micro-level. For example, the number of gainers and losers from a particular policy can be calculated and who those gainers and losers are can also be identified. This is an advantage because some kinds of policy change could lead to an increase in average family income, but the increase in average income

⁴³ For instance Lewis, Gordon H. and Richard C. Michel, eds., *Microsimulation Techniques for Tax and Transfer Analysis* (Washington D.C.: Urban Institute Press, 1990) looks at TRIM2, DYNASIM2, MAPSIT, PRISM, and MDM, some of the microsimulation models in use by both U.S. and Canadian government policy offices. Giannarelli, Linda, *An Analyst's Guide to TRIM2: The Transfer Income Model, Version 2* (Washington, D.C.: Urban Institute Press, 1992) is a descriptive guide to the TRIM2 model, a comprehensive microsimulation model widely used by US government and academic analysts for simulating the effects of different policy, economic, and demographic scenarios.

⁴⁴ This is a type of simulation called a static simulation model. There are other types of microsimulation models: dynamic population models and dynamic cohort models. For a full account of the different types of microsimulation models see Falkingham, Jane, Ann Harding, and Carli Lessof, "Simulating Lifetime Income Distribution and Redistribution," in Falkingham, Jane and John Hills, eds., *The Dynamic of Welfare: The Welfare State and the Life Cycle* (Prentice Hall/Harvester Wheatsheaf, 1995) or Harding, Ann, *Lifetime Income Distribution and Redistribution: Applications of a Microsimulation Model* (Amsterdam: Elsevier, 1993).

may conceal that there exist some families which actually lose income. The use of microdata brings to light that kind of outcome, and therefore enables the consequences of policies to be estimated much better than used to be possible. I used the technique to estimate eligibility for actual means tests for historical dates (as opposed to modelling a proposed future policy change), which is an uncommon way to use this type of modelling. Microsimulation models have been used in this way for comparative social policy across countries, but much less so for historical analysis within one country.⁴⁵

It is not the modelling of tax and transfer policy changes which distinguishes microsimulation models as a technique. Rather, 'it is the dependence on individual information from the micro-data at every stage of the analysis that distinguishes microsimulation models from other sorts of economic statistical or descriptive models'.⁴⁶ Surveys of the various designs and uses of microsimulation models are available elsewhere.⁴⁷ However I would highlight here that simulation using micro-data has been established as a methodology for investigating the outcomes of actual and hypothetical means tests⁴⁸ including non-income

⁴⁵ For an example of use of microsimulation models for comparative social policy across countries see descriptions of EUROMOD in Sutherland, Holly, *Policy Simulation at the European Level: A Guide to EUROMOD* (Cambridge: Microsimulation Unit, Department of Applied Economics, April 1997) and Bourguignon, F. et al., *Technical Description of Eur3: A Prototype European Tax-Benefit Model* (Cambridge: Microsimulation Unit, Department of Applied Economics, May 1998).

⁴⁶ Mitton, Lavinia, Holly Sutherland, and Melvyn Weeks, "Introduction," in Mitton, Lavinia, Holly Sutherland, and Melvyn Weeks, eds., *Microsimulation Modelling: Challenges and Innovations* (Cambridge: Cambridge University Press, 2000) p.1.

⁴⁷ See for example Harding, Ann, "Introduction and Overview," in Harding, Ann, ed., *Microsimulation and Public Policy* (Amsterdam: Elsevier, 1996) Also Harding, Ann, *Lifetime Income Distribution and Redistribution: Applications of a Microsimulation Model* (Amsterdam: Elsevier, 1993).

⁴⁸ For example in Percival, Richard and Simon Fischer, *Simplicity Versus Targeting: A Legal Aid Example* (Canberra: National Centre for Social and Economic Modelling, 1997) and Citro, C.F. and E.A. Hanushek, eds., *Improving Information for Social Policy Decisions: The Uses of Microsimulation Modeling*, vol. II (Washington D.C.: National Academy Press, 1991). For examples of other, established, microsimulation models see Giles, Christopher

maintenance benefits,⁴⁹ and it has been applied to the historical analysis of social security systems.⁵⁰

The advantages of this type of analysis are that:

- The *outcome* of a means test can be studied (rather than simply administrative changes to the means test).
- Overall *numbers* of people eligible in the population can be calculated.
- Results can be analysed at the micro-level to see what *kind* of people were eligible.

The output of microsimulation being outcomes makes it an ideal method for answering my question about eligibility levels. My results on the proportion (i.e. numbers) of people eligible in the population are presented in Chapter 7. My results on kinds of people eligible are given in Chapter 8.

What did my model for the historical analysis of means testing consist of?

Eligibility for means-tested benefits was not recorded in the original survey data which provides the micro-data set. The idea was to construct information that was missing from the original data source. In other words, eligibility was calculated for every family in the data set on the basis of the variables on income and household characteristics in the data set and using the means test rules. Any variables which were needed to

and Julian McCrae, *TAXBEN: the IFS microsimulation tax and benefit model* (Institute for Fiscal Studies, 1995) on TAXBEN, Redmond, Gerry, Holly Sutherland, and Moira Wilson, *POLIMOD: an outline*, 2nd ed. (Cambridge: Microsimulation Unit, Department of Applied Economics, July 1996) and Redmond, Gerry, Holly Sutherland, and Moira Wilson, *The Arithmetic of Tax and Social Security Reform: A User's Guide to Microsimulation Methods and Analysis* (Cambridge: CUP, 1998) on POLIMOD and Sutherland, Holly, *Policy Simulation at the European Level: A Guide to EUROMOD* (Cambridge: Microsimulation Unit, Department of Applied Economics, April 1997) on EUROMOD.

⁴⁹ Schofield, Deborah, "The Distribution of Pharmaceutical Benefits in Australia" (paper presented at the 25th Conference of the International Association for Research in Income and Wealth, University of Cambridge, UK, 1998)..

⁵⁰ Johnson, Paul, "The measurement of social security convergence: the case of European public pension systems since 1950," *Journal of Social Policy* 28 (1999): 595-618.

calculate eligibility and were not in the data set had to be imputed. For example, income from investments was not recorded in the data set but it was required in some of the means tests I studied. So I estimated investment income from the family's capital assets, which were recorded. Next, eligibility was calculated for every family in the data set. Using a very large data set enabled me to estimate the relative impact of the means tests on households with different structures and levels of income. Then the results were weighted to make them representative of the whole population of England and Wales.

In Chapter 7, I present the actual numbers eligible under the means test at several points in time, namely 1975, 1985 and 1995/6. A comparative static approach was necessary if the impact of the means test on different households was to be evaluated with quantitative data. The date chosen to model the means tests was 1st October in 1975, 1985 and 1995. This was the mid-point of the financial year, so can be seen as representative of the financial year. It was also a relevant date to use for free school meals and student grants, for which eligibility is usually determined at the start of the academic year.

Microsimulation models depend on having good survey or administrative data. A lack of suitable data is one reason why microsimulation modelling is an unusual method to use in a historical context. However, in this instance the detailed household income data was provided by the Family Expenditure Survey (FES), which goes back to 1961.⁵¹ The FES is an annual survey of private households in the UK, in which participants are asked detailed questions about their incomes and

⁵¹ The quality of the information contained in the FES is discussed elsewhere. See, for example Atkinson, A.B. and J. Micklewright, "On the reliability of the Income Data in the Family Expenditure Survey 1970-1977," *Journal of the Royal Statistical Society* 146 (1983); Banks, James and Paul Johnson, *How Reliable is the Family Expenditure Survey?* (Institute for Fiscal Studies, 1998). The FES is widely used for social policy analysis in and outside government as it contains detailed information on income, expenditure and demographic characteristics of a broadly representative sample of UK households.

expenditures. The Office for National Statistics (formerly the Central Statistical Office) collects and processes the data annually, primarily for the construction of weights for the RPI. Households are asked to complete a diary of their spending over a two-week period. Participants are also asked a series of detailed questions about their incomes, and this is the information which forms the basis of our research. Participation in the survey is voluntary and the data is only available to academic researchers after it has been made anonymous, so there is no chance of researchers being able to identify survey participants. My sample size for 1975 was 8162 benefit units, 8062 for 1985 and 7258 for 1995/6.⁵² The sampling frame for the FES does not include people living outside private households (e.g. in institutions, in hospital). As the survey is voluntary there is a problem of non-response, and there is reason to believe that those who refuse to participate may be different in important respects from those who do participate. This 'non-response bias' is dealt with by the use of 'grossing factors', which are discussed later in this chapter.

I applied the 1975 means tests to 1975 survey data, the 1985 means tests to 1985 survey data, and the 1995 means tests to 1995/6 data. A general principle followed in the modelling procedure was to build up the model on a step-by-step basis, cumulatively adding refinements after the basic structure had been tried out. Variables had to be picked from the FES data for modelling the means tests, and this involved making a number of fine judgments. For instance, there was a choice of income variables: 'current earnings' or 'normal earnings' or 'earnings last time paid'. Where there was such a choice, I decided to choose a variable based on what an applicant for benefit would be most likely to state as his or her earnings. I therefore chose 'current earnings'. Once entitlement of each family in the

⁵² England and Wales only.

FES sample had been calculated, the results were weighted to give eligibility figures for the whole population.⁵³

1.4.4. What were the income thresholds for eligibility?

One way to look at generosity of the means tests is the income thresholds for entitlement. Did the income limits tighten or loosen? This is difficult to work out. The means tests are extremely complicated and apply differently to families with earnings and different numbers of children. One solution is to find the numbers of people eligible as a way of comparing the generosity of the means tests.

I therefore had to look at the generosity of the means tests by applying the rules to micro-data because the structure of the means test changed so substantially from year to year that it is impossible to tell which was more generous by looking at the rules. The fact that some types of families benefited from changes in the rules, while other types of families

⁵³ The purpose of the weighting is to scale each 'benefit unit' in the FES data so that the survey is representative of the population as a whole. The FES is roughly a 1 in 3000 sample of UK private households from 1967 onwards. If there were no problems of differential non-response, the results could simply be multiplied by 3000 to obtain estimates for the population as a whole. However, it is known that certain types of household are under-represented in the sample and others are over-represented. To compensate, different weights are applied to the results for different types of family. These weights are called 'grossing factors'. A separate grossing factor is given to each benefit unit in the household. The grossing factors were derived based on seventeen different family unit types. The UK private household population each year can be divided up into these seventeen different benefit unit types using census data, OPCS population estimates, and Child Benefit administrative data. The populations totals thus estimated are then compared to the number of each of these benefit unit types occurring in the FES. A different set of grossing factors has to be used for each year because the pattern of under-and over-reporting varies from year to year. The weights for the 1995/96 FES data were kindly provided by Holly Sutherland. The weights for the 1965, 1975 and 1985 data were derived from the weights used in the IFS's Households Below Average Income Dataset, 1961-1991 Data Archive study number 3300. I could not use the IFS's weights directly because IFS had deleted some households (with absent spouses or recently self-employed). Further, the IFS data set makes an adjustment called the 'SPI adjustment' to account for the under-response of very high income households in the FES. It also ensures that the mean income in the dataset is correct and not affected by outliers. However, I did not make this SPI adjustment, as I was primarily concerned with lower income households and the adjustment does make much difference to the median household income (it affects the mean income).

lost out, also makes it difficult to tell what was actually happening on the ground without doing the simulations against micro-data.

What I did was to look at the outcome of the mid-1960s, 1975 or 1995 means test had it been in force in 1985, as a way of isolating changes in the means test rules from changes in the underlying population characteristics. This was one way of answering the questions: 'how has the definition of "need" for a means tested benefit has changed over time?' and 'when was the means test was most generous in terms of income threshold for eligibility?' This choice of dates enabled me to examine long-run changes under the 'classic welfare state'. The different years I chose for analysis are like 'natural experiments' which shed light on how changes in administration relate to the outcomes of means tested benefits. The year of means test used from the 1960s is 1965 for free prescriptions, although prescriptions were free to everyone between 1965 and 1968. I used the 1964 means test for student grants because I could not find documentary evidence of the means test in force in 1965. The exact date chosen to model the means tests was, as before, 1st October in each year: mid-1960s, 1975, 1985 and 1995. As before, this was because it was the mid-point of the financial year, so can be seen as representative of the financial year. It was also a relevant date to use for free school meals and student grants, for which eligibility is usually determined at the start of the academic year.

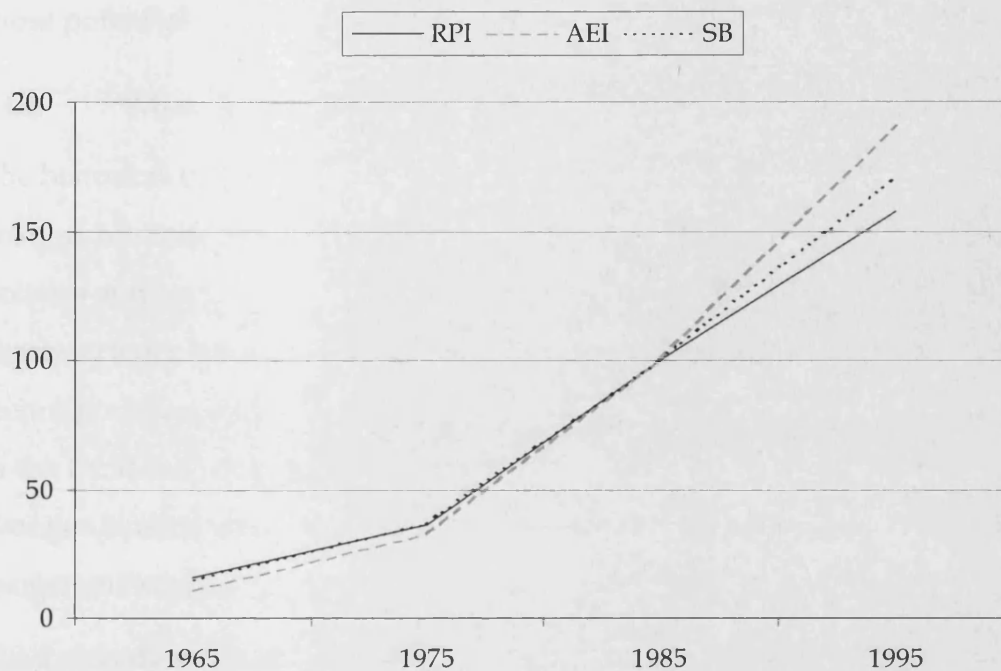
I chose the 1985 FES data as the base year for comparison. My approach to answering the question: 'what would have been the outcome of the mid-1960s, 1975 or 1995 means test had it been in force in 1985?' was to use modelling to apply the mid-1960s, 1975, 1985 and 1995 rules to the same data year: 1985. If overall numbers eligible show an increase against 1985 data, *it's not that the numbers of poor people increased*, but that the threshold for eligibility, but the net income level for entitlement, increased.

The financial criteria for the mid-1960s, 1975 and 1995 means tests had to be translated into their '1985 equivalent'. This meant making a judgment about what the 1985 values of the financial values of the means test would have been in the absence of external, conscious changes to policy. I had to make a choice between different indexing techniques to find out what the 1960s, 1975 and 1995 means tests would have looked like in 1985. This was achieved by uprating the monetary values in the means tests by relevant indices. Three different approaches were tried:

- Retail Prices Index (RPI). RPI would make the means-test thresholds constant in relation to prices.
- Average Earnings Index (AEI). AEI would make the means-test thresholds constant in relation to average earnings. This was tried because prices and earnings have increased at different rates. Prime Minister Thatcher controversially removed the link between benefits and earnings, and it is alleged that this made benefits less generous.
- Indexing by the same increases as were made in supplementary benefit/income support (SB/IS).

The choice of index can have an effect on the results, as can the choice of base year for indexing. I found that the index used for SB/IS was roughly half way between the other two. The Average Earnings Index (AEI) and Retail Prices Index (RPI) produced upper and lower boundaries of the financial conditions for the means test. Using both these indexes gave me two equivalents of the means test in 1985 and a range of eligibility. I used the average (mean) of these two eligibility calculations. The sensitivity of the results to the index used varies, but in no case does it reverse the direction of the result or the conclusion drawn. Chart 1-9 shows the indices I used. The base year I chose was 1985.

Chart 1-9 Indices for adjusting means tests (1985=100)



The outcome of a means-testing system will depend on the means test used and the income characteristics of the population subjected to the means test. As previously indicated, section 7.2 considers the impact of the means test used, in isolation from changes in the population to which the means test was applied. All the results in section 7.2 are based on survey data from 1985. That is, the base population has been held constant. Thus, the results (other than for 1985) show the impact of changes in the means test only. The procedure I carried out is like assuming that there is an absolute eligibility threshold, regardless of the

in the means test rules from decade to decade were calculated, and who those potential gainers and losers were also identified.

1.4.4. What drove changes in numbers of people eligible?

The historical thrust of this work is to identify what forces have driven change. Microsimulation modelling also captures the interaction between policies and social and economic life. Demographic and social characteristics have changed significantly since the mid 1960s, and such a technique allowed me to determine the extent to which changes over time in the incidence of these non-income-replacement means tests was due to changes in administrative rules, and how much due to changes in exogenous socio-economic conditions.

I had already applied the means test rules from different years to same base population in section 7.2. As previously explained, this procedure isolated changes in rules on entitlement from any changes in underlying socio-economic conditions. The population was kept constant (1985) and this process just isolated the absolute standard of the means test.

Combining this result with my calculations of the actual numbers of people eligible enabled me to break down the changing eligibility from decade to decade into that which was accounted for by changes in the means test regulations, and that which was due to socio-economic change.

1.4.4. In which year was the means test most generous?

Critics often argue that means testing is a device which enables governments to argue cynically that their welfare policies are generous, whilst simultaneously ensuring that in practice expenditure on them does not rise too high. It is interesting to know in which year the means tests were most generous because writing on the welfare state in general usually suggests that 1975 was the high point of generosity, while the

1980s witnessed cut-backs. Does this thesis apply to non-income replacement benefits?

One way to examine generosity is to look at the *value of the benefit*. These results are discussed in greater detail in section 1.3. However, it is the *combination* of the value of the benefit to the recipient and the income level for eligibility which gives a means tested benefit its distinctive character of giving 'much to the few' or 'little to the many'. I therefore constructed a 'generosity index' based on the value of the benefit and the income threshold for eligibility. As always, the base year chosen affects size of year-to-year change, although not the sign of the result.

1.4.4. What was the nature of interaction among means tested benefits?

I then go on to discuss how these means tests relate to each other. The great strength of microsimulation based on micro-data is that the full range of variation in family circumstances is captured. This makes it a powerful tool to examine the interaction between policies of different types. Thus, a benefit of microsimulation modelling is that it enabled me to determine how (and for whom) these means tests interacted with means-tested income maintenance, so assessing the means tests in relation to the wider social security structure.

1.4.4. What was the distribution of eligibility by income?

The rationale for this question is that it is legitimate to ask of the means tests: did they achieve the objective of helping the poor? To achieve this is one of the justifications for means testing. One of the reasons for the enduring support of the British people towards the welfare state was its ability to cater to the middle class as successfully as the poorest, in particular in relation to education and health provision.⁵⁴ Beveridge's

⁵⁴ Abel-Smith noted early on in the development of the welfare state the extent to which the major beneficiaries were the middle classes. See Abel-Smith, Brian, "Whose Welfare State," in MacKenzie, Norman, ed., *Conviction* (MacGibbon & Kee, 1958). More recently

approach to social policy rested on an appeal to the self-reliant classes, who were previously excluded from statutory measures. The 'middle class capture theory' suggests that the social policy areas least likely to experience cuts are those where the middle class are users or suppliers.⁵⁵ It can be inferred from this theory that means-tested benefits which were primarily for the poor were most likely to be subject to cuts. Does this theory apply to non-income-replacement benefits?

I look at the distributional breakdown of eligible and non-eligible households in Chapter 8. The results of the microsimulation model were broken down and examined by family income. This helps to answer the question: 'who benefited from means tested benefits'? Within 'who benefited?' I was interested in whether they reached those on the lowest incomes, and whether they reached the middle class.

The results were based on income after housing costs (AHC). The measure of income AHC I used is simply income after deduction of rent, mortgage payments (interest and capital), ground rent, service charges, structural insurance, water and sewerage charges and rates or council tax. A justification for calculating income in this way is that income after housing costs have been met is thought to be a relatively good guide to living standards. In addition, all the means tests I was concerned with took account of the actual cost of outgoings on housing and rates/council

Le Grand has also demonstrated how the middle class benefits from the welfare state. See Le Grand, J., *The strategy of equality: redistribution and the social services* (London: George Allen & Unwin, 1982).

⁵⁵ The originators of this theory were Le Grand and his collaborators. See Le Grand, Julian and D. Winter, "The Middle Classes and the Welfare State under Conservative and Labour Governments," *Journal of Public Policy* 6 (1987): 399-430 and Goodin, Robert E. and Julian Le Grand, eds., *Not Only the Poor: The Middle Classes and the Welfare State* (London: Allen & Unwin, 1987).

tax. Discussions of the relative merits of measuring income before housing costs and after housing costs are available elsewhere.⁵⁶

In order to measure living standards it is not just total income matters but income relative to the numbers of people that income has to support. One approach would be to look at income per head. The problem with that is it assumes that the cost of maintaining an infant in the household is the same as that for an adult. The way this is usually taken into account is by use of an 'equivalence scale'. I used the McClements scale, which expresses the needs of different sorts of family relative to those of a childless couple.⁵⁷ For example, in the McClements scale a single person needs 55 per cent of the AHC income of a couple of achieve the same living standard as a couple. It can cause problems in analysis if the distributional results are sensitive to choice of equivalence scale.⁵⁸ I therefore experimented with an alternative, the square root of the family size, to test the sensitivity of my results to choice of equivalence scale

1.4.4. What were the characteristics of people eligible?

It is an advantage of microsimulation analysis that the results can be examined at the micro-level to determine what *kind* of people were

⁵⁶ See for example Pryke, Richard, *Taking the Measure of Poverty* (IEA, 1995) p.17; Goodman, Alissa, Paul Johnson, and Steven Webb, *Inequality in the UK* (Oxford: OUP, 1997) pp.27-28; Goodman, Alissa and Steven Webb, *For Richer, For Poorer: The Changing Distribution of Income in the United Kingdom, 1961-1991* (London: IFS, 1994) p.5.

⁵⁷ This scale was derived by McClements (see McClements, L., "Equivalence Scales for Children," *Journal of Public Economics* 8 (1977): 191-210). It is based on an analysis of the spending patterns of households of different compositions. The McClements scale has had its critics. One point that could be made is that expectations have changed since the scale was devised in the 1970s, which has increased the cost of maintaining a child, so it may not reflect perceptions of relative need in the 1990s. However, it is not the purpose of this thesis to investigate the merits of different equivalence scales, and the McClements scale is widely used by social policy analysts.

⁵⁸ A wide range of scale is in existence and the relative weights accorded to adults and children varies greatly. However, research has shown that that aggregate estimates are relatively insensitive to choice of scale, although results for the composition of particular groups can be strongly influenced by the scale used. See Goodman, Alissa and Steven Webb, *For Richer, For Poorer: The Changing Distribution of Income in the United Kingdom, 1961-1991* (London: IFS, 1994) p.5.

potential gainers and losers from means testing policies. For example, the numbers eligible under a particular policy can be calculated, and, who those people are can also be identified. Results can be categorised according to a variety of criteria such as gender, age, household composition, income and employment. I therefore looked at the breakdown of eligible and non-eligible households by factors other than income. This showed if there were any proxies for eligibility e.g. housing tenure. Further, I tried to identify the reasons for any change which occurred in the types of people eligible.

1.4.4. How did take-up compare to eligibility?

Take-up cannot be explored by microsimulation, because the Family Expenditure Survey does not contain full information on actual take-up. However, inability to model take-up, whilst unsatisfactory, does not invalidate the research method, since the value of a service lies in its *availability as well as* the actual use made of it. Overall eligibility was compared with published figures of take-up, where these existed. I looked at what data was available on applicants for the means tested benefits (only possible for free school meals and prescription medicines), and compared it with the data on those theoretically eligible. This answered the question: 'who was most likely to take up their eligibility?'

1.4.5 Conclusion (Chapter 9)

In this chapter I explore why the definition of need used in the means test changed. Did the changes to the means tests reflect population ageing, changes in the labour market and family patterns, and spending constraints? Or were they the results of ideas and interests of actors in the policy-making process? In explaining generosity over time there are political factors (ideology, budget priorities), and factors to do with how political decisions translated into practice on the ground such as the design, how the means test was operationalised – turned from a general concept (e.g. helping the needy) into concrete practice. The reasons why

the means test changed can be divided into political factors and administrative factors. Political factors are high-level decisions, whereas administrative factors applies to changes to the rules made by civil servants, without strategic political input. To address these issues I bring together my quantitative findings and documentary sources. I found that pressure on overall departmental budgets was most often the reason for changes to the means test, a phenomenon which produced incoherence from year-to-year at the level of an individual means-tested benefit.

I also determine how successfully the rules produced outcomes which were in line with the objective intended at the outset. I compare outcomes to objectives, in terms of both the intended overall numbers eligible and the kinds of people eligible. That is to say, I related why politicians (and others) thought there should be a means test, to actual outcomes achieved. In other words, was the policy effective at identifying the needy? We need to ask the question whether the measures used met needs. Criteria for evaluating outcomes in terms of overall numbers eligible, the income distribution of those eligible and other characteristics of eligible people were used to evaluate means testing experience.

In this chapter I use the results of my microsimulation modelling to address the question: Was there any coherence which fits with the concept of a welfare regime? I also examine whether the pattern of the development of my four means tested benefits has mirrored that of income-replacement benefits, both means tested and non-means tested.

Finally I show how examination of these particular means tests helps us to understand better the issues which confront all means-tested systems. I develop an understanding of how to correlate conditions of receipt with social objectives. This leads to the assessment and conclusion: what general lessons can be derived from past experience?

1.5 Conclusion

In conclusion, non-income-replacement benefits have been relatively neglected in the analysis of social security policy. In the past it was virtually impossible to establish patterns of eligibility because computer resources were nothing like as powerful as now. Therefore policy makers had little indication of the effectiveness of their policies in reaching the needy (as defined by their own objectives). However, microsimulation is now able to solve that problem. Further, means-testing suffers from the problem that 'need' is a slippery concept, but by using micro-analysis to find out who was targeted we may be able to clarify how to correlate conditions of receipt with social objectives of meeting needs. The conclusions about objectives and outcomes of means tested benefits will extend to subsistence benefits too. Microsimulation is an ideal tool for exposing the issues which face those who seek to identify the needy.

2 The theory and historiography of the welfare state

This study is concerned with an aspect of the welfare state, but what do we mean by 'the welfare state'? Neither the scope nor the purpose of the 'welfare state' was defined at the time of its conception: the term 'welfare state' was not adopted until 1951.⁵⁹ Beveridge himself did not use the phrase 'welfare state'.⁶⁰ Instead, it derived from social policy specialists such as T.H. Marshall and R. Titmuss.⁶¹ The term implies that the state has assumed responsibility for the welfare of individual members of society, in particular tackling the major problems of society. Welfare state broadly involves the use of state power and responsibility towards the ends of protecting citizens against economic adversity and ensuring a certain standard of living to all.

The term is used to describe an assemblage of social services established in the immediate post-war period. By convention these services are social security, health, education and housing, in particular the centrally-organised aspects of these services. This working definition is reflected in most of the literature which sets out to present an over-arching view of the welfare state: social security, health, education and housing are the main topics covered. However a broad definition could also include full-employment policies, tax incentives for pension funds, mandatory work safety standards, anti-pollution legislation, minimum-wage legislation and so on.

Although the British welfare state is commonly characterised as comprehensive in approach, post-war government intervention was

⁵⁹ Whiteside, N., "Creating the welfare state in Britain, 1945-1960," *Journal of Social Policy* 25, no. 1 (1996): 83-103 p.83.

⁶⁰ Inter-Departmental Committee on Social Insurance and Allied Services, *Social Insurance and Allied Services: Report by Sir William Beveridge* (London: HMSO, 1942).

⁶¹ Lowe, Rodney, "The Second World War, consensus and the foundation of the welfare state," *Twentieth Century British History* 1, no. 2 (1990): 152-182 p.154.

derived from the pre-existing wartime policy regimes.⁶² In their turn these wartime measures had grown out the situation which existed in 1939.⁶³ This meant that in practice the 'welfare state' was based on a haphazard collection of statutes and delivered at central and local levels. The purpose of the welfare state was not clearly defined. Was its aim the 'abolition of want', or a more egalitarian society? Within the Beveridge Committee itself and in the run-up to the implementation of the welfare state there was little discussion of the broader principles and overall aims of welfare policies.⁶⁴ Since the purpose of the welfare state is not clearly defined, there are no universally accepted criteria of efficiency and equality on which the welfare state can be judged. Similarly, the purpose of individual non-subsistence benefits has also not been clearly defined, nor the role that they should play as a constituent of a welfare state.

Arguably the individual benefits to be studied here are part of the welfare state, although their role has often been neglected. Free prescriptions and prescription charges are part of the NHS, but much analysis focuses on the NHS as a free-at-point-of-use service. Student grants are seen as a 'fringe' welfare policy, but an important aspect of education and opportunity policy. Similarly, civil legal aid is 'marginal' from the point of view of welfare policy analysts. Goriely stated that: 'The fact is that the Attlee government perceived legal advice as a marginal extra, rather than as an essential part of the welfare state they were

⁶² Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) p.5; Harris, Neville, "Social Security Prior to Beveridge," in Harris, Neville, ed., *Social Security Law in Context* (OUP, 2000) pp.85-86.

⁶³ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.57.

⁶⁴ Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) p.3.

engaged in creating.⁶⁵ Nevertheless, provision of legal aid is important because it influences access to justice and makes the idea of legal rights meaningful. On the other hand, school meals are more often seen as part of the social security system because of their long-standing link to National Assistance and family allowances.

2.1 Theories of welfare development

The first aim of this section is to outline the main theories about the development of welfare states and draws on historical surveys of the welfare state.⁶⁶ Since my research deals with one aspect of the welfare state the second objective is to show where this research lies in relation to these theories. This I consider in two directions: what the evidence of means testing says about the applicability of these theories; and which theories provide the best basis for a method for research into means testing. On the first point I find that neither malevolent government nor benevolent government is a satisfactory explanation on its own of the introduction or amendment of means-tested policies. This is because means testing is a mechanism for addressing the general belief that government should do something to help the needy, whilst at the same time controlling behaviour of marginal groups. On the second point I argue that the process by which welfare policy develops is a complex one, but pluralist political science is the most useful for my purpose.

Theories of welfare development attempt to address two main problems of historical explanation:

⁶⁵ Goriely, Tamara, "Law for the poor: the relationship between advice agencies and solicitors in the development of poverty law," *International Journal of the Legal Profession* 3, no. 1/2 (1996): 215-248 p.225.

⁶⁶ In particular Baldwin, Peter, *The Politics of Social Solidarity: Class Bases of the European Welfare State 1875-1975* (Cambridge: Cambridge University Press, 1990); Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993); and "Teaching Units 7 and 8," AA303 *Understanding Comparative History: Britain and America from 1760* (Milton Keynes: The Open University, 1997).

1. What are the broad reasons for the long-term growth of welfare scope and spending which has been common to all advanced societies in the twentieth century?
2. How are we to explain the unevenness in amount and different pace of the growth in welfare spending?

Theories about the welfare state may be grouped as follows:

2.1.1 The logic of industrialisation/the logic of capitalism

These macro-level models of welfare development speak of the very basic preconditions for a welfare state such as industrialisation, democratic participation and a certain level of political mobilisation.⁶⁷ In these theories the welfare state is a functional response to problems of modern society and capitalist economy. The thesis of 'the logic of industrialisation' is that welfare development is related to problems of industrial development (rather than the structure of power) in capitalist societies. It is based on the evidence of broad similarities between the welfare programmes of western democracies and socialist states. In this theory, to demonstrate that state welfare is beneficial to economic growth is sufficient to explain welfare development. Variants on the theory include 'the logic of capitalism' which is based Marxist ideology.

These theories are quite generalised, operate at a low level of specificity and lack explanatory power. In this schema to demonstrate that state welfare is beneficial to capital accumulation is sufficient to explain welfare development. This type of reasoning attempts to give a causal explanation of something in terms of its consequences, which is an ahistorical approach. It is also an unsatisfying approach because it

⁶⁷ Examples are Wilensky, Harold L. and Charles N. Lebeaux, *Industrial Society and Social Welfare: The impact of industrialization on the supply and organization of social welfare in the United States* (New York: Russell Sage Foundation, 1958) and Flora, Peter, ed., *Growth to Limits: The Western European Welfare States Since World War II* (De Gruyter, 1986).

imputes needs and requirements to abstract systems. Industrialisation is probably only important in the long run which we can see by observing the differences in development of welfare in Britain, the US and Germany. For this reason these theories are useful for explaining why social policy developed at all, rather than its variations and work better at answering question (1) above.

Other theories strike the balance between being neither so basic that they only apply to the universally shared aspects of state welfare and leave differences unaccounted for, nor so proximate that their applicability is limited. The goal is a middle range where variations and similarities are explicable. Such intermediate-level models of welfare development try to answer both questions (1) and (2). They can be grouped as follows:

2.1.2 The logic of democracy – benevolent government

There is a body of literature which sees the welfare state as a key achievement of the labour movement. It has been interpreted as taking the step from a basic level of welfare needed by the functional requirements of industrialised economies to a more egalitarian form of social protection. The 'social democratic' welfare state was sought and brought about from the bottom up by those who stood to benefit most - the working class.⁶⁸

This theory has been applied to the 1948 British welfare state of Beveridge-Bevan-Butler. In the 1970s it was conventional to classify Britain as a 'social democratic' welfare state, one in which the strength of organised labour had brought about an institutionalised commitment to universalistic welfare.

⁶⁸ Van Kersbergen argues that in Germany, Italy and the Netherlands Christian Democracy fulfilled the same function as social democracy in Britain in Van Kersbergen, Kees, *Social Capitalism: A Study of Christian Democracy and the Welfare State* (Routledge, 1995).

A leading exponent of this view was T.H. Marshall. He argued that there was a three-stage development of citizenship from civil to political to socio-economic rights. Civil rights were established in the eighteenth century. Political rights enable citizens to vote and were founded in the nineteenth century. Social rights of citizenship which confer economic welfare and security and enable citizens to share in the standard of living prevailing in society came about in the twentieth century. In 1965 he summed up 60 or 70 years of 'the story of social policy' with the judgement that social welfare, once confined to 'the helpless and hopeless of the population' had been steadily extended to all citizens.⁶⁹ Since then B.B. Gilbert has similarly traced the origins of welfare reforms principally to the extension of the franchise in 1884⁷⁰.

It is arguable whether this theory is applicable to the USA, which is a democratic state, but in contrast to Britain embodied a 'liberal' or 'residual' welfare system, and commitments were limited to marginal or deserving social groups. Baldwin's is an example of an account which attacks the links this theory makes between social services and social democracy.⁷¹ Another reservation about this theory includes the observation that in Bismarck's Germany, welfare was an authoritarian state's bulwark *against* democracy, not a consequence of it. This brings us to the 'malevolent government' interpretation of state welfare.

2.1.3 Social welfare as social control - malevolent government

The aspects of state welfare which act against the interests of the working class challenge the theory outlined above concerning the influence of labour movements. Another hypothesis suggests that welfare measures

⁶⁹ Marshall, T.H., *Social Policy*, 2nd ed. (1967) p.97, p.182.

⁷⁰ Gilbert, Bentley B., *The evolution of national insurance in Great Britain: the origins of the welfare state* (London: Michael Joseph, 1966).

⁷¹ Baldwin, Peter, *The Politics of Social Solidarity: Class Bases of the European Welfare State 1875-1975* (Cambridge: Cambridge University Press, 1990).

were brought in as a response to threats of social disorder and the purpose of restrictive policies was to reinforce work norms. This kind of theory has been also elaborated by neo-Marxists⁷². In this interpretation welfare is seen as the price of industrial and social peace. Modest concessions were granted to the working class to avoid more major reform and preserve the status quo. Once established, welfare policies reinforce the discipline of the market mechanism for instance as the right to benefit is established through work. For instance, Bismarck's Germany developed social insurance to prevent workers from being a threat and to make them more efficient as workers. The theory has also been applied to welfare in America.⁷³

Variations of this approach have analysed the interests of business and industry in welfare policy. In extreme cases welfare policy is regarded as a form of social control. For example Hay argued that business had an interest in economic efficiency and containment of working class demands and this influenced welfare reform.⁷⁴

Historians are much less persuaded now as to the reality of any threat of disorder. The puzzle is why there was so *little* disaffection, protest and political radicalism. These explanations cannot account for why welfare states developed beyond the minimum necessary to maintain social order. Nor can it be proven that the new regulative mechanisms headed off more thoroughgoing social change.

⁷² A Marxist classic is Gough, I., *The Political Economy of the Welfare State* (Macmillan, 1979). He was later converted away from these ideas in Doyal, Len and I. Gough, *A Theory of Human Need* (Macmillan, 1991).

⁷³ Piven, Frances Fox and Richard A. Cloward, *Regulating the Poor: The Functions of Public Welfare* (London: Tavistock, 1972).

⁷⁴ Hay, J.R., "Employers and Social Policy in Britain: The Evolution of Welfare Legislation, 1905-1914," *Social History*, no. 4 (1977): 435-55; Hay, J.R., "Employers' Attitudes to Social Policy and the Concept of Social Control, 1900-1920," in Thane, P., ed., *The Origins of British Social Policy* (Croon Helm, 1978), 107-25.

The next three theories operate at an even lower level of specificity. They do not explain why state welfare exists, but the differences in timing between 'pioneer' and 'laggard' states and the different policy mixes in welfare programmes and are therefore most appropriate to answer question (2):

2.1.4 Pluralism

Pluralist political science is an elaboration of democratic theory which expects political choice to be determined by the action of individual voters. Pluralist political science focuses on political interest groups in a democracy and how a consensus is achieved. It assumes that individuals are rational actors who recognise their stake in policies. Pluralists expect that political decisions can be explained through the study of participating actors. Thus, pressure groups, trades unions and political parties, their ideologies and the nature of their support, are the focus of study.

The state may be dominated by a small group which is able to pursue interests of its own. Considerable attention has been given to the culture of this group.⁷⁵ Another version of pluralist explanation is Mancur Olson's argument about a universal evolutionary trend towards increasing political influence of coalitions who bring about public decisions in their own favour against the common interest of society.⁷⁶ In an Olsonian world the welfare state is a result of 'rent-seeking' by powerful interest groups.

⁷⁵ For example by Barnett, who attacks prominent members of the British Labour and Liberal parties headed by William Beveridge and Clement Attlee and claims they were evangelical, nonconformist and humanitarian Christians in Barnett, Corelli, *The Audit of War* (Macmillan, 1986).

⁷⁶ Olson, M., *The Rise and Decline of Nations* (New Haven, Conn.: Yale University Press, 1982) cited by Pfaller, Alfred, Ian Gough, and Göran Therborn, "The Issue," in Pfaller, Alfred, Ian Gough, and Göran Therborn, eds., *Can the Welfare State Compete? A Comparative Study of Five Advanced Capitalist Countries* (London: Macmillan, 1991) p.10.

2.1.5 Bringing the State Back In

Pluralist theory tends to treat the state as if it were a passive recipient of the outside pressures upon it. There has been a reaction against this aspect of the theory – ‘bringing the state back in’.⁷⁷ The establishment of the welfare state has involved the creation of a bureaucracy with interests of its own. States are ‘sites’ where bureaucrats and elected officials may act independently of wider society. The state formulates responses to problems that do not mirror the demands of any particular group. So according to this theory who a policy benefits is a different question from why it is instituted. Methods rooted in this theory analyse the workings of the government and bureaucracy in identifying problems, developing solutions and implementing them. The role of politicians and interest groups would be diminished and the importance of bureaucrats and experts expanded.

The administrative explanation exposes a weakness in accounts that focus primarily on social and political variables. But while administrators may take crucial decisions on welfare policy, in the final analysis, larger social forces have determined the policies adopted.

Esping-Andersen⁷⁸ and Pierson⁷⁹ are widely seen as the two most important recent theoretical contributors to how welfare states are analysed and how changes are to be understood.⁸⁰

⁷⁷ See Skocpol, T., “Bringing the State Back In: Strategies of Analysis in Current Research,” in Evans, P., D. Rueschemeyer, and T. Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985); Hecllo, H., *Modern Social Politics in Britain and Sweden* (Yale, 1974); Orloff, Ann Shola and Theda Skocpol, “Why not equal Protection? Explaining the Politics of Public Social Spending in Britain, 1900-1911 and the United States, 1880s-1920,” *American Sociological Review* 49 (1984): 726-50.

⁷⁸ Esping-Andersen, G., *The Three Worlds of Welfare Capitalism* (Cambridge: Polity Press, 1990), Esping-Andersen, G., *The Social Foundations of Post-Industrial Economies* (Oxford University Press, 1999).

⁷⁹ Pierson, P., ed., *The New Politics of the Welfare State* (Oxford University Press, 2001).

2.1.6 Welfare Regimes

Esping-Andersen attempted comparative work to identify broad determinants of welfare state growth. He identified a number of distinctive stable welfare regimes around which he suggests most welfare states can be clustered:

1. Social democratic regimes. These are characterised by principles of universalism, equality and comprehensive service provision. Services and benefits are provided at high levels acceptable to the middle class. Scandinavian countries provide the best examples of these regimes.

2. Conservative or Corporatist regimes. The welfare state in these regimes is used to maintain existing class and status differentials, thus encouraging social and political stability and loyalty to the state. The state is important in the delivery of welfare, but not in ways which encourage redistribution. These welfare regimes tend to dominate in those countries in which Catholic parties are strong, parties of the left weak, and there is a history of authoritarianism. The policies in these regimes are highly influenced by the Church. Esping-Andersen suggests Austria, France, Germany and Italy are regimes of this type.

3. Residual liberal regimes. Liberal welfare regimes are principally characterised by an emphasis on market-based welfare, social insurance and means-testing. Welfare is largely oriented towards a class of poor dependent on the state. Benefits are limited and stigmatised. Coverage is provided against a limited number of risks. Compensation is at subsistence level and on a selective basis, and with no goal of altering the market distribution of incomes. Examples are said to be the USA, Canada and Australia.

⁸⁰ E.g. by Taylor-Gooby, Peter, "The Silver Age of the Welfare State: Perspectives on Resilience," *Journal of Social Policy* 31, no. 4 (2002): 597-621 p.601 and Clasen, Jochen, "Modern Social Democracy and European Welfare State Reform," *Social Policy & Society* 1, no. 1 (2002): 67-76 p.71.

Esping-Andersen makes clear that none of the regimes he identifies can be found in perfect or pure form.⁸¹ Britain provides a good example of a system which does not fit easily into any of the three regimes types, although Esping-Andersen suggests that it is closest to the liberal one.⁸² Middleton suggests it is perhaps halfway between the American and the Scandinavian model.⁸³ Another book also suggests that the British model is indeed a mix of universalism and the market, although Esping-Andersen's own assessment of this mix seems to substantially underestimate the significance of universalism in the British case.⁸⁴

The concept of welfare regimes has been much used in comparative welfare research, but has not been found a useful concept by all analysts.⁸⁵ The alleged problem with this approach is that it assumes an internal consistency within a welfare state, yet one should be wary of models which suggest a unifying and underlying rationale for developments. This is because most countries practise a disjointed set of welfare policies owing to typical features such as the cumulative nature of welfare policies and the diverse histories of policies in different welfare fields. Critics say the theory implies that key policies will reflect a similar approach to issues of public welfare and the theory also posits an underlying set of values to each welfare regime, such as those deriving

⁸¹ Cochrane, Allan and John Clarke, eds., *Comparing Welfare States: Britain in International Context* (London: Sage, 1993) p.9.

⁸² Esping-Andersen, G., *The Three Worlds of Welfare Capitalism* (Cambridge: Polity Press, 1990) p.26.

⁸³ Middleton, Roger, *Government versus the Market: The growth of the public sector, economic management and British economic performance, c.1890-1979* (Cheltenham: Edward Elgar, 1996) p.570.

⁸⁴ Cochrane, Allan and John Clarke, eds., *Comparing Welfare States: Britain in International Context* (London: Sage, 1993) p.13.

⁸⁵ Including, for example, Kasza, Gregory J., "The Illusion of Welfare 'Regimes'," *Journal of Social Policy* 31, no. 2 (2002): 271-287 p.271, Middleton, Roger, *Government versus the Market: The growth of the public sector, economic management and British economic performance, c.1890-1979* (Cheltenham: Edward Elgar, 1996) p.571.

from Scandinavian social democratic parties, or religious traditions in southern Europe. Critics state that the point of regime analysis is that it assumes that each country's welfare regime makes sense, yet welfare policies are unlikely to be the embodiment of one logic or set of principles.

However, although some feel that the regime concept collapses if individual states embrace contradictory policies, even Esping-Andersen accepts that no pure form exists and many states are likely to have a mix of characteristics. The way that policy develops tends to make this so. Esping-Andersen is not saying that a coherent set of principles brought the policies into being, but the policies that resulted can be usefully grouped *as if* that were the case.

Regime theories provide an account of the growth and diversity of welfare states under the formerly benign economic, social and political circumstances. Now governments face a tougher climate and interest has focused on the political processes of reform. Pierson is possibly the most important contributor to that debate.

2.1.7 Polity

Pierson argues that there is a 'new politics' of welfare state retrenchment, unlike the former politics of expansion. Political actors who seek reform must find ways of managing things to avoid blame for the contraction of services, rather than simply take the credit for the growth of welfare services. Taylor-Gooby shows how 'this insight directs attention to the detail of government responses to current pressures' and how an important development coming out of this has been the growth of interest in 'polity' alongside political party in analysis of welfare development.⁸⁶ Pierson has also emphasised the importance of path-

⁸⁶ Taylor-Gooby, Peter, "The Silver Age of the Welfare State: Perspectives on Resilience," *Journal of Social Policy* 31, no. 4 (2002): 597-621 p.602.

dependency as particular systems entrench support for their continuance: welfare policies are likely to have aspects of long-term continuity.

Internal development and maturing of welfare states is seen by Pierson as implying 'permanent austerity' as the cost of commitments entered into in the past under rather different political circumstances is brought home to governments.⁸⁷ In analysing the politics of welfare state retrenchment, Pierson identified 'systemic' changes, which are reforms which happen because of the strength of interest groups which support them.⁸⁸ This applies to services where there is a whole constituency of beneficiaries who will strive to retain rights. 'Programmatic' changes, on the other hand, do not entrench a particular interest group and are more easily reversed. An example would be cutting time-limits to entitlement to means-tested welfare, because it does not have major political penalties.

Another important concept is that of veto-points. Veto-points are institutional structures which provide opportunities to resist change. A typical argument in the literature links pressures on the welfare state to institutions which either facilitate or constrain policy adaptation and thus lead to change which is path-dependent. In this way, someone like Pierson finds socio-economic context to be the most important explanation of change to the welfare system, and downplays the role of both individual and collective agency.

This perspective leaves relatively little room for partisan politics and has been criticised as incorporating a degree of 'modern functionalism'.⁸⁹ Indeed, the link sometimes too readily made between economic or

⁸⁷ Pierson, P, "Irresistible forces, immovable objects: post-industrial welfare states confront permanent austerity," *Journal of European Public Policy* 5, no. 4 (1998): 539-560.

⁸⁸ Pierson, P., *Dismantling the Welfare State? Reagan, Thatcher and The Politics of Retrenchment* (Cambridge University Press, 1994).

⁸⁹ Clasen, Jochen, "Modern Social Democracy and European Welfare State Reform," *Social Policy & Society* 1, no. 1 (2002): 67-76 p.71.

demographic challenges to the welfare state and the welfare state responses tends to underestimate the role played by the interests and ideas of actors involved in policy making.

The wider recent literature, too, has seen a shift away from 'grand theories' (pluralism, Marxism) towards theories of governance. Since grand theories are of limited value in explaining the micro-politics of the policy process, the classic theories have been sidelined in recent years by a different set of concerns found in the literature on polity and governance. These offer a more de-centred view of the state. These analyse the policy process as a complex series of interactions. The idea of the policy process not as something governments do, but as a complex set of interactions is becoming increasingly significant.⁹⁰

2.1.8 Conclusion

What insight does the evidence from means testing offer these theories? It highlights the contradictory nature of the welfare state. Means testing crosses over the interpretations of malevolent government and benevolent government. It can be used to serve either agenda. For instance, means testing has been described as a system of minimal help to the worst off operating as 'social control', because applicants have to adopt a certain kind of lifestyle to be eligible for benefits.⁹¹ Therefore it is not a real concession to the needy. On the other hand, whilst the hallmark of benevolent government might be an egalitarian 'universalist' ideal, the desire to create comprehensive policies accessible to all and not controlled by means tests could not be realised in practice. This is

⁹⁰ Newman, Janet, "Putting the 'Policy' back into Social Policy," *Social Policy & Society* 1, no. 4 (2002): 347-354 pp.349-350.

⁹¹ Townsend, Peter, *The Scope and Limitation of Means-Tested Social Services in Britain* (Manchester Statistical Society, 1972) p.23; Townsend, Peter, *Poverty in the United Kingdom: A survey of household resources and standards of living* (Harmondsworth: Penguin, 1979) p.882.

especially the case with non-subsistence benefits. Social democracy had to find its expression through a system with a high degree of means testing, a more limited form of redistributing in a restricted manner.

Therefore neither interpretation is a satisfactory explanation on its own of the introduction or amendment of means-tested policies. This is because in a fundamental way, means testing is a way that state and society tries to resolve the contradiction between the two approaches. Means testing is a mechanism for meeting the needs of the needy and the general belief that government should do something to help them, whilst also controlling behaviour of marginal groups.

What insight does the evidence from means testing offer welfare regimes and polity theories? The evidence from the four means tests used in this study tends to confirm that the British welfare state is an uneasy mix of the social-democratic type and liberal-residual type of welfare regime. Two of the benefits I study were provided at a high level and acceptable to the middle class (student grants and civil legal aid), whereas the other two fit the pattern of limited benefits at subsistence level (prescription medicines and school meals). The evidence of means testing denies an internal consistency some say is implied by welfare regime theory. These four means tested benefits do show contradictory policies co-existing, but I do not think that renders the concept of a regime entirely useless.

Pierson asserts that officials tend to adapt welfare policies in piecemeal fashion to current circumstances. Although the welfare state is based on original legislation passed over fifty years ago, today's policies are the result of decades of modification and tinkering, and are therefore unlikely to reflect any one set of practical concerns or values. Therefore, we should expect the welfare programmes of most countries to be a contradictory and disjointed set of policies, not a coherent whole. The history of the means tested benefits in this study tends very much to confirm this view of how policy evolves from year-to-year.

What insight into means testing do these theories offer? Since this study seeks to explain the *way* in which a particular part of the welfare system evolved – means tested benefits – rather than *why* a welfare system was created, the lower level theories provide the most useful basis for the research methodology. However, although I would not dismiss regime theory, I do not think it can offer this thesis much, other than as an example of comparative work which tries to move away from unique case studies to make generalisations.

Policy on means tests involves identifiable gainers and losers and this tends to foster politics around interest groups. Therefore a pluralist methodology can be used to explain the influences on means tested benefits. The design of means tests will also produce an element of the state and its policy apparatus as disinterested solvers of problems.

Pierson's work suggests that over-arching theories will be of little use. I concentrate instead on micro-politics, and the structure of government and policy institutions as well as the colour of the party in office.

Pierson's work has directed me to look at the political penalties of cutting means tested benefits and how that might explain the pattern of generosity over time. Pierson's ideas about policy evolution by tinkering over a time period might also help me to explain some of the pattern in eligibility we observe.

These perspectives will be employed in chapters four and five and in interpreting my findings about eligibility over time, in which questions are raised about the various actors participating in policy decisions. That neither one nor the other of the lower level theories is adequate on its own for investigating means testing certainly demonstrates the complex nature of the welfare state.

2.2 The historiography of the British welfare state

In recent years, the 'achievement' of the British welfare state has been thrown into question. The aim of this section is to show how the ideas about the progress and achievements of the welfare state current at various times influenced attitudes to means testing and ultimately policies on the principle of means testing at that time. Assessments of the welfare state have addressed the following questions, each of which I will treat in turn:

On macro-economic growth: what have been the effects of the allocation of an increasing proportion of resources to welfare policies?

On poverty: have welfare policies solved the problems they were designed to meet?

On inequality: have welfare policies brought about a redistribution of incomes from the richer to the poorer?

On gender: have welfare policies counterbalanced the disadvantages faced by women?

2.2.1 Macro-economic growth

The effect of the British welfare state has come to be characterised as a burden detrimental to economic growth, especially in the international context.⁹² One can question the extent to which the attempts of the welfare state to overcome the impact of market failure on individual citizens actually created government failure which reduced growth overall. There is a tension concerning how much and what sort of welfare state a country can afford without doing too much harm to its international competitiveness. The ability to support a welfare state and international competitiveness are very closely linked. The relationship

⁹² See for example the writings of the Institute of Economic Affairs and Barnett, Corelli, *The Audit of War* (Macmillan, 1986).

between them runs in two directions: the achievements of the welfare state are threatened by pressure to adjust to global conditions. Yet failure to maintain competitiveness might undermine the welfare state more thoroughly in the long run. However, I am not concerned here with whether the welfare state did or did not impede growth. This matter has been reviewed elsewhere⁹³. My concern here is how *beliefs* about this affected social policy.

A popular view on the Right has been that the government should not penalise through heavy taxation those with talent and enterprise, and that for maximum efficiency people should be left with the fruits of their labour. The Right argues that welfare expenditure is unproductive and imposes costs which threaten Britain's efficiency and competitiveness in relation to those states which do not have such expansive welfare states.

On the other hand, other theorists argue that the welfare state can *advance* economic competitiveness. For instance, where there is a lack of infrastructure 'public squalor' may impede 'private affluence'.⁹⁴ Peter Townsend thought social policy spending could be used as a method to overcome the country's economic difficulties in the context of the 1967 financial crisis, although the government reacted by cutting spending.⁹⁵ Also, a consensual pattern of industrial relations depends on workers believing that the economic and social arrangements are not grossly 'unfair' and so welfare states can sometimes actually improve labour co-operation and flexibility.

⁹³ See for example Atkinson, A.B., *Incomes and the Welfare State: Essays on Britain and Europe* (Cambridge: Cambridge University Press, 1995) Chapter 6.

⁹⁴ Gough, Ian, "The United Kingdom," in Pfaller, Alfred, Ian Gough, and Göran Therborn, eds., *Can the Welfare State Compete? A Comparative Study of Five Advanced Capitalist Countries* (London: Macmillan, 1991) p.150.

⁹⁵ Townsend, Peter, "Introduction: Does Selectivity Mean a Nation Divided?," in Townsend, Peter, Mike Reddin, and Peter Kaim-Caudle, eds., *Social Services For All? Part One* (London: Fabian Society, 1968) p.2.

The pro- and anti-welfare spending ideas have both been concurrent since the inception of the welfare state. However, in the face of continuous rises in welfare spending, the pressure for retrenchment has dominated. When the view that social spending is detrimental dominates, this leads to pressure for greater selectivity, including selectivity by means testing.

2.2.2 Poverty

Evidence about the extent of poverty and the causes of poverty have influenced the vigour of attempts to tackle the problem and the policy mix of means tested and insurance benefits which was used to do so. Local studies in the 1930s investigated poverty: the New Survey of London Life and Labour, the social surveys of Merseyside, Bristol, Southampton and Rowntree's 1936 survey of York are examples of such surveys. The exposure of want in these studies underlay Beveridge's plan for social security, and he cited them in his Report.⁹⁶ From then on it was accepted that the government should do something to tackle poverty.

Immediately post-war it was believed that the welfare state based on 'universalism' had triumphed over poverty⁹⁷, due mainly to the optimistic outlook of Rowntree's 1951 follow-up survey of York.⁹⁸ The spirit of the time was that a welfare state centred on non-means-tested insurance-based benefits had been effective at reducing poverty. In the early days of the welfare state it was believed that poverty had been eliminated without the need for means testing and means testing would

⁹⁶ Falkingham, Jane and Sally Baldwin, "Introduction," in Baldwin, Sally and Jane Falkingham, eds., *Social Security and Social Change: New Challenges to the Beveridge Model* (Harvester Wheatsheaf, 1994) p.2.

⁹⁷ Townsend, Peter, "Post-1945 Poverty Research and Things to Come," in Bradshaw, Jonathan and Roy Sainsbury, eds., *Researching Poverty* (Aldershot: Ashgate, 2000), 5-36 p.9.

⁹⁸ Rowntree, B. Seebohm and G. R. Lavers, *Poverty and the welfare state, a third social survey of York dealing only with economic questions*, (London: Longmans, 1951).

only have a small role. However, subsequent re-analysis of the data has shown that this belief was erroneous and poverty had not diminished as much as was thought under the welfare state.⁹⁹ Behind the scenes national insurance was not effective. However, the belief that it was meant that not much was changed in these years.

A period of relative policy contentment in the 1950s was followed by the 'rediscovery of poverty' in the 1960s.¹⁰⁰ In particular, Abel-Smith and Townsend in *The Poor and the Poorest* questioned the effectiveness of government policy.¹⁰¹ They used the income level for eligibility for means-tested National Assistance as their poverty criterion. They found significant numbers living below that level because the 'working poor' were not helped by National Assistance and those unwilling to apply for National Assistance fell through the safety net. In particular, the incomes of pensioners were a focus for concern. It became apparent that state pension entitlements were not high enough to meet all needs, but pensioners were reluctant to apply for a means-tested top-up from the National Assistance Board.

Townsend undertook a national poverty study in 1968-9 (published 1979).¹⁰² The most ambitious poverty study since Rowntree, it was the first national survey for the specific purpose of investigating poverty. His findings made gloomy reading. By the state's Supplementary Benefit standard, between three and five million people were in poverty and

⁹⁹ Atkinson, A. B. and et al., "Poverty in York: a reanalysis of Rowntree's 1950 survey," *Bulletin of Economic Research* 33, no. 2 (1981): 59-71; Hatton, Timothy and Roy E. Bailey, "Seebom Rowntree and the postwar poverty puzzle," *Economic History Review* 53, no. 3 (2000): 517-543.

¹⁰⁰ Harris, Neville, "Social Security and Society," in Harris, Neville, ed., *Social Security Law in Context* (Oxford: OUP, 2000) p.43.

¹⁰¹ Abel-Smith, Brian and Peter Townsend, *The poor and the poorest: a new analysis of the Ministry of Labour's family expenditure survey of 1953-54 and 1960* (G. Bell and Sons, 1965).

¹⁰² Townsend, Peter, *Poverty in the United Kingdom: A survey of household resources and standards of living* (Harmondsworth: Penguin, 1979).

another twelve million near it. The book was also noteworthy for its attempt to develop a new deprivation standard.¹⁰³ Poverty was redefined in the 1960s as relativist notions of poverty gained wider currency under the influence of people such as Townsend.¹⁰⁴ The rediscovery of poverty led the government to announce that it would extend national insurance benefits. In practice though, concern about poverty led to wider use of means-tested benefits (something which is further explored in chapter 4 below).

2.2.3 Inequality

In British politics, there were varied ideas about the role of the welfare state in relation to the market and the capacity and desirability of welfare systems in creating equality. 'Democratic socialists', such as Marshall, Titmuss and Crosland thought state intervention more than just a corrective for market failings and a positive means of engineering a more fair and equal society. They approved of 'universalist' policies, either non-contributory or based on social insurance.

In contrast to the view that a more equal society is necessary for social cohesion, an important element of Conservative ideology was the belief that in a free society the incentives to make oneself unequal are a necessary part of the mechanism of creating wealth and therefore new welfare. 'Reluctant collectivism' typified by the conservatism of R.A. Butler, consisted of qualified approval for state intervention which altered the distributional outcome of markets. At other times the free market 'anti-collectivists' dominated Conservative thinking, particularly in the 1950s, the later 1960s, and after 1975. They are associated with the promotion of means testing.

¹⁰³ Gordon, David, *Poverty and Social Exclusion in Britain* (JRF, 2000) p.72; Bradshaw, Jonathan, "The Nature of Poverty," in Ditch, John, ed., *Introduction to Social Security* (Routledge, 1999), 11-33 p.16.

¹⁰⁴ Dean, Hartley, *Welfare Rights & Social Policy* (Prentice Hall, 2002) p.23.

Paradoxically, although its democratic socialist ideas gave the British welfare state an initial high reputation¹⁰⁵, the post-war welfare state did not show any marked trend towards income redistribution in favour of the worst off.¹⁰⁶ The lack of vertical redistribution is attributable to the following three reasons.

Firstly, one reason why there has not been a straightforward transfer from rich to poor is that redistribution can take other forms, such as redistribution within the lifetime of an individual¹⁰⁷ (for example contributory pensions) and 'horizontal' redistribution *within* broad social categories. Examples of horizontal redistribution are flat-rate insurance which redistributes from employed to invalid workers and family allowances which redistribute from households without children to those with children. 'Universal' status benefits are non-means-tested benefits (either social insurance-based or non-contributory). They work not by reallocating resources, but by reallocating the burden of mischance (except the mischance of being poor). Therefore means testing is the form of benefit more likely to offer redistribution. Despite the increased role for means testing state welfare provision primarily created lifetime redistribution and horizontal redistribution.¹⁰⁸

Secondly, one of the unintended consequences of universal benefits under the welfare state such as free health care and education has been

¹⁰⁵ Middleton, Roger, *Government versus the Market: The growth of the public sector, economic management and British economic performance, c.1890-1979* (Cheltenham: Edward Elgar, 1996) p.573.

¹⁰⁶ See for example Lowe, Rodney, *The Welfare State in Britain since 1945*, 2nd ed. (London: Macmillan, 1999) p.290.

¹⁰⁷ Barr, Nicholas, *The Welfare State as Piggy Bank: information, risk, uncertainty, and the role of the state* (Oxford: Oxford University Press, 2001).

¹⁰⁸ Falkingham, Jane and John Hills, "Redistribution Between People or Across the Life Cycle?," in Falkingham, Jane and John Hills, eds., *The Dynamic of Welfare: The Welfare State and the Life Cycle* (Prentice Hall/Harvester Wheatsheaf, 1995).

that the middle class have got benefits from these social policies.¹⁰⁹ When you take benefits in kind into account, the record of the welfare state on redistribution looks even less favourable.¹¹⁰

Horizontal redistribution and middle class capture promote support for the welfare state. That is why both the effects outlined above were necessary – the secret of the success of the welfare state was its ability to cater to the middle class as successfully as the working class. Beveridge's universalist, egalitarian approach to social policy rested on an appeal to the self-reliant classes, who were previously excluded from statutory measures. The middle class capture theory shows that the social policy areas least likely to experience cuts are those where the middle class are users or suppliers.¹¹¹ It can be inferred from this theory that means-tested benefits which are primarily for the poor are more likely to be scrutinised for cuts and are more likely to find taxpayer support for them undermined.

Thirdly, although benefits and taxes do redistribute vertically at any moment in time, access to factor incomes has been the predominant influence on distribution. Post war improvements in inequality owe more to full employment than the welfare state. The rise in inequality from 1979 was attributable to the increased inequality of market incomes and the way the state budget has not offset this rising inequality in the labour

¹⁰⁹ Goodin, Robert E. and Julian Le Grand, eds., *Not Only the Poor: The Middle Classes and the Welfare State* (London: Allen & Unwin, 1987).

¹¹⁰ Proper, Carol, "For Richer, for Poorer, in Sickness and in Health: The Lifetime Distribution of NHS Health Care," in Falkingham, Jane and John Hills, eds., *The Dynamic of Welfare: The Welfare State and the Life Cycle* (Prentice Hall/Harvester Wheatsheaf, 1995) pp.202-203; Glennerster, Howard, Jane Falkingham, and Nicholas Barr, "Education Funding, Equity and the Life Cycle," in Falkingham, Jane and John Hills, eds., *The Dynamic of Welfare: The Welfare State and the Life Cycle* (Prentice Hall/Harvester Wheatsheaf, 1995) pp.152-153.

¹¹¹ Goodin, Robert E. and Julian Le Grand, eds., *Not Only the Poor: The Middle Classes and the Welfare State* (London: Allen & Unwin, 1987).

market.¹¹² Although the move towards means testing under the Conservatives should have been redistributive it was not because it has not moved fast enough to counteract market forces – it has had to run harder towards means testing to stay still. In summary, the welfare state has made no major change to the income distribution, but has prevented some people from falling dangerously behind the rest. Access to market incomes is the driving force, and social security has a reactive role in limiting the rise in inequality.

Although the welfare state was intended to perform some redistribution, officials did not see inequality as one of their concerns.¹¹³ Surveys were used by Treasury officials to consider the redistributive impact of the budget for the first time only in 1964.¹¹⁴

In conclusion, the idea that government *should* reduce inequality has influenced policy, but not in a way which actually reduced financial inequality. By 'equality' democratic socialists meant insurance for all income groups and universal benefits which the middle class have access to. This did not promote a more equal income distribution. Means testing as favoured from the 1970s had more potential for redistribution, but was not pursued to such an extent as to outweigh other forces. Discourse on inequality did not much influence social security policy generally or means testing as a policy. Poverty, rather than inequality has been a more influential concept.

¹¹² See for example Goodman, Alissa, Paul Johnson, and Steven Webb, *Inequality in the UK* (Oxford: OUP, 1997) and Atkinson, A.B., *Incomes and the Welfare State: Essays on Britain and Europe* (Cambridge: Cambridge University Press, 1995) Chapter 1.

¹¹³ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.57.

¹¹⁴ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.31.

2.2.4 Gender

Means-tested programmes primarily support women (and children), while the more generous non-means-tested programmes allow men greater access to benefits and reward men more generously.¹¹⁵ The eligibility rules of insurance programmes are modelled on male patterns of labour force participation, and social insurance benefits replicate market inequities between the sexes. Social insurance tended to benefit men who had a more stable employment pattern and spent more years in full time work. So women were more likely to need means-tested income top-ups. However, the gender impact of welfare policies is a relatively recent concern.¹¹⁶ Therefore, ideas about gender and welfare have not been a strong influence on policy, although the discourse on gender and benefits has been used to influence some minor aspects of policy. An example is that women rather than men stand to benefit from school meals, because in the absence of free school meals women generally have responsibility in the family for providing food for the children. This argument was used (unsuccessfully) against the scrapping of free school meals for families receiving the in-work income top-up in 1986.¹¹⁷

¹¹⁵ Douglas, Gillian, "The Family, Gender and Social Security," in Harris, Neville, ed., *Social Security Law in Context* (OUP, 2000); Lister, Ruth, "'She has other duties' - Women, citizenship and social security," in Baldwin, Sally and Jane Falkingham, eds., *Social Security and Social Change: New Challenges to the Beveridge Model* (Harvester Wheatsheaf, 1994).

¹¹⁶ Alcock, P., *Understanding Poverty*, 2nd ed. (Basingstoke: Palgrave, 1997) p.134. It has been an expanding area of research since in the 1990s, as exemplified by Daly, Mary and Katherine Rake, *Gender and the Welfare State* (Polity Press, 2003), Goode, Jackie, Claire Callender, and Ruth Lister, *Purse or Wallet?* (Policy Studies Institute, 1998), Sainsbury, Diane, *Gender, Inequality and Welfare States* (Cambridge: CUP, 1996); various papers in Baldwin, Sally and Jane Falkingham, eds., *Social Security and Social Change: New Challenges to the Beveridge Model* (Harvester Wheatsheaf, 1994). An earlier work is Pascall, Gillian, *Social Policy: A Feminist Analysis* (Tavistock, 1986).

¹¹⁷ E.g. in Family Policy Studies Centre, *School meals and social security* (London: Family Policy Studies Centre, 1986), a paper produced for the Committee Stage of the Social Security Bill 1986.

2.3 Conclusion

This study is concerned with both the pragmatic aspects of means testing and the ideological aspects. Consideration of theories of welfare development highlighted how the pragmatic side of policy can be explored by looking at the various actors participating in policy decisions and the role of the bureaucracy. These perspectives will underlie the method in the chapters on the development of means tested benefits (chapter 4), their objectives (chapter 5) and their design (chapter 6). On the other hand, consideration of the historiography of the welfare state showed that ideologies have also played their part in the development of policy. Ideas about what welfare policy should do and has done will be important in chapters 7 to 9, in which I assess the outcomes of means tests.

3 Means testing

3.1 The legacy of means testing in the 1930s

There has been an enduring anathema to means testing principally because means testing acquired a bad reputation in the inter-war period. The popularity of the Beveridge Report largely stemmed from the fact that it seemed to offer a way to remove the means test.¹¹⁸

This section explains why the means test was introduced in 1931 and why it was hated so much. It explains how means testing has come to have such adverse connotations. It also shows how this experience influenced the form of the post-war welfare state, but I argue that post-war policy was influenced by wartime events as well as by inter-war developments. I also argue that means-testing of subsistence benefits was always a feature of welfare, despite the emphasis on a shift to 'universalism' often found in writings about the post-war welfare state.

3.1.1 How did the means test come about?

The replacement of the deterrence test of less eligibility for admittance to the workhouse by a different kind of test was made possible by the growth of documentation from the late nineteenth century onward.

When information such as a workman's wages could be readily verified documentarily, it made possible a changed approach to relief. However, the Ministry of Health, which became responsible for workhouses in 1919, disapproved of fixed and published scales of relief. In their 1927 Report they said: 'A scale creates a presumption that any person with an income below that indicated by the scale is destitute and has some sort of

¹¹⁸ Inter-Departmental Committee on Social Insurance and Allied Services, *Social Insurance and Allied Services: Report by Sir William Beveridge* (London: HMSO, 1942).

claim to relief ... if a scale is once published there is a grave danger lest the recipients may begin to regard the gift of relief as a right'.¹¹⁹

The high unemployment of 1931 swamped the unemployment insurance system, and imperilled the finances of the British government. During 1931 the insurance scheme was vastly changed. Insurance benefits were strictly limited and the other help available was means-tested and closely tied to poor relief. A conflict between an economic and a social response to the problem of unemployment encouraged a greater reliance on means testing and tightening up of eligibility criteria. Classical economics would suggest that unemployment benefits were a cause of unemployment.¹²⁰ On the other hand, the clear extent of suffering demanded some form of payments.

The Unemployment Fund created with the 1911 *National Insurance Act* was intended to be self-funding. However, the Fund had become insolvent during the 1920s and had to borrow from the Treasury because employment failed to recover from the 1921-3 depression. Part of the problem was that conditions to receive benefits were relaxed in a way that weakened the actuarial link between premiums and payments. Most damaging to the insurance principle was the development of 'uncovenanted' or 'extended' or 'transitional' benefits. These were benefits to which the unemployed person was not entitled on the basis of his contributions record. Between 1921 and 1928 there were several amendments which led to benefit being paid beyond the period prescribed by the Insurance Commissioners' rules and the extent of long-term unemployment undermined the intended insurance basis of the original National Insurance scheme.

¹¹⁹ Cited in Macleod, Iain and Enoch Powell, *The Social Services: Needs and Means* (London: Conservative Political Centre, 1952) pp.11-13.

¹²⁰ Benjamin, D. and L. Kochin, "Searching for an explanation of unemployment in interwar Britain," *Journal of Political Economy* (1979).

The insurance principle was initially allowed to decay because it was thought that unemployment was cyclical, and structural unemployment in the 'staple' industries was not recognised. In addition, the only alternative for the unemployed was the locally financed Poor Law. Given the regional concentration of inter-war unemployment, this would have placed an intolerable burden on the local rates.

The Fund's finances again deteriorated in the financial and economic crises of 1929-31. The subsequent 1931 *National Economy Act* cut benefits by about ten percent. It also imposed a means test for those unemployed for more than six months who had therefore exhausted their entitlement to insurance benefits. By January 1932 there were nearly one million people subject to the means test in order to receive transitional benefit.¹²¹

3.1.2 Why was it resented?

Once entitlement to insurance benefits was exhausted further aid - 'transitional payments' - would be assessed based on a household means test. Aid would only be given to those whom public assistance (i.e. Poor Law) authorities certified as being in need. Public assistance officials dealt with these insured persons in the same way they did with any unemployed able-bodied persons who applied to them.

The 1931 transitional payments produced a hybrid system in which the applicant got the worst of both worlds. It was like poor relief in that the amount of relief was determined by local PACs and the applicant had to prove the extent of his need, to produce any pertinent information that a committee might request, and to appear for interviews. It was like unemployment insurance in that applicants had to go to an employment exchange to prove unemployment and register for work, to meet all the

¹²¹ Pearce, Malcolm and Geoffrey Stewart, *British political history 1867-1990: Democracy and decline* (London: Routledge, 1992) p.357.

requirements for insurance benefit except those pertaining to contributions, and to report to an employment exchange for payment.

The imposition of the means test was particularly resented for four reasons. Firstly, insured people thought they should get benefits by right, without the stigmatising test of need. Secondly, the historic administrative link to the Poor Law and the way in which it was administered were causes of resentment. Third was the low level of benefit and lastly was the household basis for the means test.

Walter Brierley compared the demeanour of the insured men with those on the means test at the labour exchange, which illustrates how the applicants viewed insurance and means tested benefits in different lights. He described the insured miners:

The men and youths in the pit-queues had an outward liveliness about them, laughing boisterously for a moment, calling from one rank to another, talking with freedom, not afraid to question the clerk boldly, dropping neither voice nor eyes of the strolling supervisor or busy manger chanced to come near. They had paid their money into the Insurance Fund and they were going to have it out when they qualified for it, too, and without any bowing and scraping either. Not much thanks due when receiving your own money.¹²²

But in the means-tested 'transitional payment' queue:

The very atmosphere about it shouted that it was different from all the others, a thin mumble with never an intelligible flash of spoken sense clung above it ... some stared with faint sheepishness at the playing about in the other queues ... It was by far the shabbiest queue.¹²³

The means test was carried out by the local Public Assistance Committee (PAC) which after 1929 was the successor to the Boards of Guardians

¹²² Brierley, Walter, *Means-Test Man*, Reprint, Nottingham, Spokesman 1983 ed. (1935) p.167.

¹²³ Brierley, Walter, *Means-Test Man*, Reprint, Nottingham, Spokesman 1983 ed. (1935) p.167.

which had operated under the old Poor Law. Means testing was therefore tainted by association with the Poor Law and 'pauperisation'. However, the link between unemployment and poor relief was not unprecedented. The Poor Law had previously aided unemployed persons outside the National Insurance scheme. It had topped up insurance benefits to those whose benefit was insufficient to maintain them, for example in the case of large families or where rents were high. It had assisted insured unemployed persons while they served the waiting period the qualify for benefits.¹²⁴ Nor was the use of a means test outside the Poor Law new: payment of 'uncovenanted' or 'extended benefit' pre-1931 had in theory been conditional on a means test between 1922 and 1928 (with a break in 1924-5).¹²⁵ Nonetheless, the introduction of a means test caused upset among the unemployed.

When someone in the insurance scheme had exhausted his rights to insurance benefits he was notified by the local employment exchange and filled out a form to certify 'I am in need of assistance and hereby apply for transitional payments' and the form was dispatched by the employment exchange to the proper PAC. In due course the applicant would report to the office of the PAC, and complete further forms describing the income and expenditure of his household. Soon thereafter an officer would visit the home of the applicant. On the occasion of the visit the officer would verify the information on the form, and might also examine the rent book, insurance premium payments, and any articles on which hire purchase instalments were due. He might call on former employers to verify the wages and character of the applicant.¹²⁶

¹²⁴ Hill, A.C.C. and Isador Lubin, *The British Attack on Unemployment* (Washington, D.C.: The Brookings Institution, 1934) pp.193-4.

¹²⁵ Garside, W.R., *British Unemployment, 1919-1939: A Study in Public Policy* (Cambridge: Cambridge University Press, 1990) p.66.

¹²⁶ Hill, A.C.C. and Isador Lubin, *The British Attack on Unemployment* (Washington, D.C.: The Brookings Institution, 1934) pp.200-202.

The investigation and inquiry involved in carrying out means testing was seen as particularly demeaning. All family income, savings and even possessions could be taken into account and a recommended reduction in benefit could be made:

A Lancashire miner, with a wife and six children, had, before his unemployment, managed to save £15, which was banked in the Co-op. Under the means test this man received a ruling: 'Not a case for help so long as this sum is on deposit.'¹²⁷

They felt they deserved to be treated better in return for their sacrifices during the war. Walter Brierley described the feelings of a wife of an unemployed man about these enquiries:

'It was a big thing for her to swallow the visits of the Means Test investigator; she would never have believed such a thing could come to her - never. Fancy demanding to see her rent book, insurance policies, sick-club card and bank-book. The bank-book; it showed that you weren't much while they could pry into that. Enough to make anyone wild; ... She was a pauper, riding on her fellow-villagers' backs, waiting until they each had given a little before she could be fed. It was as bad as that.'¹²⁸

At the next meeting of the PAC the public assistance officer would present his report as a guide for action. As an aid in determining the amount of assistance to be granted, committees would often use a 'scale' as ready reference for the income which any sized family is estimated to require to relieve destitution. The income of the family would be subtracted from the scale and the difference made up. When the committee had decided how much the applicant was to receive, the employment exchange was authorised to pay this amount weekly. Thereafter the application was checked and reviewed by the public assistance officer every two months.

¹²⁷ Hannington, Walter, *The Problem of the Distressed Areas* (London: Gollancz, 1937) p.47.

¹²⁸ Brierley, Walter, *Means-Test Man*, Reprint, Nottingham, Spokesman 1983 ed. (1935) pp.190-191.

Another characteristic of welfare administration was its perceived meanness. Many of the recipients were in obvious dire poverty. War veterans resented having their war disability pension taken into account in the means test. The Medical Officer of Health for Preston said:

Possibly at no period during the last five years has work at the Infant Welfare Centre been so difficult as during the latter part of 1932 One cannot help thinking that the means test was the responsible factor.¹²⁹

In contrast to unemployment insurance, the amount paid out as transitional payments or poor relief was subject to local variation. Applicants could receive less than the maximum unemployment benefit because of differences in local living costs or because of the Poor Law principle that the condition of a relieved person should be less favourable than that of a self-maintaining labourer in the district. There was no agreed schedule of payments – they would be determined according to need, with local authorities acting as if each case was an application for public assistance. The means test resulted in many applicants receiving considerably less than they formerly received as insurance benefit. From November 1931 to January 1933, for example, 37 per cent of rulings on transitional payment allowed sums smaller than those paid to recipients of insurance benefit, and 7 per cent refused any payment whatever.¹³⁰

Chamberlain, as chancellor, was worried about the pre-1934 scheme which left the assessment of transitional payments to local PACs. Some areas were thought to be too generous, and this was a concern since PACs were funded by central government. His unease led to the 1934 *Act* which replaced local PACs with the Unemployment Assistance Board (UAB) which helped financially, after a means test. It supplanted transitional

¹²⁹ Hannington, Walter, *The Problem of the Distressed Areas* (London: Gollancz, 1937) p.50.

¹³⁰ Hill, A.C.C. and Isador Lubin, *The British Attack on Unemployment* (Washington, D.C.: The Brookings Institution, 1934) p205-206.

payments and local public assistance. The UAB administered a system of relief involving a test of needs, and undertook work previously associated with Poor Law officers. The local agents of the UAB carrying out the detail of the work were even the pre-existing public assistance officials. As a result of the 1934 *Act*, recipients of transitional relief could be required to enter a workhouse, something they had previously been protected from.¹³¹ This illustrates how the introduction of the UAB undermined all previous attempts to shield otherwise regular workers from the taint of the Poor Law.

There was uproar in January 1935 as the benefit rates for the uninsured unemployed set by the new UAB would cut the incomes of many households. Garside suggests that it was administrative complexity, financial miscalculation and bureaucratic insensitivity which imposed such reductions, rather than a government conspiracy to enforce reductions in benefit.¹³² But whatever the reason, many people stood to have their benefits reduced under the UAB even though their circumstances were no different from other unemployed persons except in the duration of their unemployment.

However, the main reason means testing was so unpopular in the inter-war period was because the means test was a *household* means test. As Walter Hannington put it: 'Those families which had managed to escape the lowest level of poverty by having some member of the family working were attacked by the Government in its economy measures of 1931'.¹³³ In 1934 with the new *Act* the household means test was given statutory force. A great grievance against the household means test was

¹³¹ Hill, A.C.C. and Isador Lubin, *The British Attack on Unemployment* (Washington, D.C.: The Brookings Institution, 1934) p.204.

¹³² Garside, W.R., *British Unemployment, 1919-1939: A Study in Public Policy* (Cambridge: Cambridge University Press, 1990) p.77.

¹³³ Hannington, Walter, *The Problem of the Distressed Areas* (London: Gollancz, 1937) p.46.

that the household income was aggregated including the income of any non-dependant residents. This meant that for an unemployed man, any income his wife or adult children living at home brought in was taken into account:

A Tyneside man with an invalid wife, seven children of school age, and one girl of sixteen years, wages 8s. One boy fourteen years not working, and one son in the army sending home 5s. 3d. per week. His benefit is reduced from 37s. 9d. to 21s. 9d. because of the wages of the daughter and the money from the son in the army. Therefore two adults, two adolescents, and seven children have to live on 35s. a week, out of which rent also has to be paid.¹³⁴

This was threatening to the male household head's status as family breadwinner. One South Wales miner described himself as 'a pauper through having to depend upon my children for a living'.¹³⁵ It was bad enough for a man to have to be supported by his son; it was even more galling if wives or daughters remained in work. The household means test was also criticised for providing an incentive to break up the home in order to get assistance:

In the meantime my wife had decided to try and earn a little money so we might continue to retain our home. She obtained a job as house to house saleswoman, and was able to earn a few shillings to supplement our dole income. I felt a burden on her The final blow came when the Means Test was put into operation both my wife and my son, who had just commenced to earn a few shillings, told me to get out, as I was living on them and taking the food they needed.¹³⁶

The means test was widespread in its impact: "For every individual applicant for transitional payment, there must be, at least, an average of

¹³⁴ Hannington, Walter, *The Problem of the Distressed Areas* (London: Gollancz, 1937) p.47.

¹³⁵ Beales, H.L. and R.S. Lambert, eds., *Memoirs of the Unemployed* (Gollancz, 1934).

¹³⁶ Beales, H.L. and R.S. Lambert, eds., *Memoirs of the Unemployed* (Gollancz, 1934) p.73-4.

four members of the community affected. Every one of them with a grouse, which is not only directed against the state, but in like manner against his own flesh and blood."¹³⁷

3.1.3 The inter-war legacy

The inter-war experience left Britons with a distaste of means testing. The popularity of the Beveridge Report largely stemmed from the fact that it seemed to offer a way to remove the means test.

Here I consider the relative influence of inter-war and wartime developments on the form the welfare state took, in particular the roles of national insurance and National Assistance. I also argue that means-testing of subsistence benefits (as well as non-subsistence benefits) was always a feature of welfare, despite the over-emphasis on a shift to 'universalism' often found in writings about the post-war welfare state.

The welfare state as a concept was influenced by intolerance of the inter-war muddle, rather than by wartime solidarity. By the 1930s Britain's social policies were due for an overhaul. The unemployment insurance system had had its problems and health was in difficulties too: costs were rising and health insurance did not cover everyone. Plans had already started being made before the outbreak of war for re-organisation. For example, schemes for social welfare were outlined in *Labour's Immediate Programme* of 1937 and *Labour's War Aims* of 1939. Therefore we have to be cautious about attributing specific welfare reforms to the war because in many cases reforms had been proposed before the war and we cannot say for certain what would have happened had war not broken out.

The inter-war experience influenced the form of the post-war welfare state to the extent that Beveridge was attached to the principal of

¹³⁷ Warburton, Edward and Carl Butler, '*Disallowed*': *The tragedy of the means test* (London: Wishart and Co., 1935) p.157.

insurance. He also wanted flat-rate contributions and flat-rate benefits, even though this made it hard to finance subsistence-level insurance benefits.¹³⁸ Beveridge and Labour spokesmen hoped that the 'broad subsistence basis' for National Insurance would largely eliminate the needs for means-tested benefits.

For those who failed to contribute, National Assistance would be available on a means-tested basis. However, as it turned out Beveridge incorrectly assumed that National Assistance would only have a transitional role, and in fact its importance grew.¹³⁹ All the Beveridge benefits were always below the 'official' poverty line, as set by the National Assistance Board and the Supplementary Benefits Commission.¹⁴⁰

In contrast to the insurance-based scheme, the changes affecting the means tested element of the benefits system had occurred during the war because of immediate needs of war, and had nothing to do with the pre-war debate about poverty and unemployment. For example the household means test was abandoned in 1941.¹⁴¹ In its place a new test of 'personal need' for couples and their dependent children was introduced.¹⁴² The immediate reason for this was that families were being split up by conscription, evacuation and the direction of labour and many people were living in 'scrambled' households. It didn't make sense to

¹³⁸ Spicker, Paul, *Poverty and Social Security: Concepts and Principles* (Routledge, 1993) p.138.

¹³⁹ Dean, Hartley, *Welfare Rights & Social Policy* (Prentice Hall, 2002) pp.78-80.

¹⁴⁰ Abel-Smith, Brian, "Conclusion: the Need for Social Planning," in Owen, David, Peter Townsend, and Brian Abel-Smith, eds., *Social Services For All? Part Four* (London: Fabian Society, 1968) p.112; Alcock, P., *Understanding Poverty*, 2nd ed. (Basingstoke: Palgrave, 1997) p.220.

¹⁴¹ Bevin, Ernest, *The Truth about the Means Test: "The Poor Law is Buried"*. (London: The Labour Party, 1941).

¹⁴² Alcock, P., *Understanding Poverty*, 2nd ed. (Basingstoke: Palgrave, 1997) pp.221-222.

amalgamate the income of household members any more.¹⁴³ The concept of the 'non-dependant deduction' was brought in. A fixed amount of the income of non-dependant wage earners was taken into account. Under the new system less investigation was required as non-dependants only had to state which bracket their wage was in so that their contribution to the rent could be assessed.¹⁴⁴ The treatment of a father, mother, son or daughter living with the householder was also changed so that the householder income had to be much higher before assistance was reduced. This offered other family members greater financial independence.

Another wartime change to National Assistance was the widening of the remit of the NAB.¹⁴⁵ This permitted a means test considerably more lenient than that of the 1930s. Previously unthought-of categories of people needed help in wartime, for example people who were bombed out and had no possessions. This was another precedent for post-war policy as coverage for those not covered by social insurance was just a development of the existing task of the Assistance Board. Broadening the client group of the NAB to pensioners, refugees and people who had been bombed out was to remain permanently after the war. Payments were made directly by the Exchequer and so during the war the work of the Poor Law (later PACs) was finally taken away.

It is a common perception that the Second World War changed the guiding principle of social policy in Britain from 'selectivity' to 'universalism'. This was facilitated by the expanded role of social services (such as medical services) during the war, participation of the masses

¹⁴³ Jones, Kathleen, *The Making of Social Policy in Britain, 1830-1990*, 2nd ed. (London: Athlone Press, 1994) p.123.

¹⁴⁴ Bevin, Ernest, *The Truth about the Means Test: "The Poor Law is Buried"*. (London: The Labour Party, 1941).

¹⁴⁵ Deacon, A., "Thankyou, God, For the Means-Test Man," *New Society* 56, no. 971 (1981): 519-520.

resulting in a need to boost morale with a 'reward', and the consequent shift of consensus from a conservative to a more social democratic position. 'Universal' as opposed to 'selective' is used to describe post-war welfare in Britain, especially in comparison with the USA.¹⁴⁶

However this classification is not altogether satisfactory. The term 'universal' can be misleading: some people were excluded from the National Insurance scheme, and important distinctions were made between employed and self-employed and male and married female workers. Not all elderly were entitled to old age pensions. The insurance benefits were universal in the sense that receipt of benefit was not dependent on income, but on contributions. They were not universal in the sense that everyone in society was covered.¹⁴⁷ Further, the 'universalism' of the British system has been diluted by the system of tax allowances. For instance mortgage tax relief reduced the cost of home ownership from the late 1960s, but those on lower incomes and therefore with low tax liability did not get tax relief.

The description 'universal' also downplays the persistence of selection and means-testing after Beveridge. In 1965 T.H. Marshall summed up 60 or 70 years of 'the story of social policy' with the judgement that social welfare, once confined to 'the helpless and hopeless of the population' had been steadily extended to all citizens.¹⁴⁸ But he was wrong (and soon to be proved even more wrong). As J. Harris has pointed out: '... to a greater extent than is commonly appreciated, post-war welfare provision took the form of means-tested transfer payments financed out of general taxation. Beveridge's fifth principle of comprehensive insurance was not

¹⁴⁶ For example, the 1946 scheme is termed 'universal' by Brown, Muriel, *Introduction to Social Administration in Britain*, 6th ed. (London: Hutchinson & Co., 1985) p.284.

¹⁴⁷ Webb, Steve, "Social Insurance and Poverty Alleviation: An empirical analysis," in Baldwin, Sally and Jane Falkingham, eds., *Social Security and Social Change: New Challenges to the Beveridge Model* (Harvester Wheatsheaf, 1994).

¹⁴⁸ Marshall, T.H., *Social Policy*, 2nd ed. (1967) p.97.

achieved, and the share of social welfare spending absorbed by public assistance doubled between the late 1940s and the mid-1970s'.¹⁴⁹

Benefits introduced under the 1946 *National Insurance Act* did not provide the subsistence level envisaged by Beveridge. In any case the scheme only applied to those in employment. So the unemployed, those with large families and the elderly poor had to resort to means-tested National Assistance. The majority of claimants for National Assistance were seeking to top up insurance benefits. Even though insurance benefits were raised by 22 per cent just before the 1955 election¹⁵⁰, it did little to slow the numbers applying for means-tested National Assistance.

Political scientists have constructed an index of social insurance coverage to compare national schemes.¹⁵¹ This index gives an indication of 'universalism' and 'selectivism' with respect to numbers covered and range of benefits – the higher the index, the more 'universal' is social insurance. It consists of a weighted average of the percentage of the labour force covered by four systems: work accident insurance, sickness insurance, unemployment insurance, and old-age pensions. The weights given to the four systems are derived from their financial as well as sociological significance. The index shows that the UK system had well above the European average scope from 1908 when pensions were introduced. However, the index at its maximum was 110 (in the late

¹⁴⁹ See Harris, José, "Enterprise and Welfare States: A Comparative Perspective," *Transactions of the Royal Historical Society, Fifth Series* 40 (1990): 175-195.

¹⁵⁰ Institute for Fiscal Studies, *Fiscal Facts: Unemployment Benefit Rates* [internet site] ([cited 11 May 2001]); available from www.ifs.org.uk/taxsystem/unempben.shtml; Institute for Fiscal Studies, *Fiscal Facts: Sickness Benefit* [internet site] ([cited 11 May 2001]); available from www.ifs.org.uk/taxsystem/sbbsen.shtml; Bradshaw, Jonathan and Tony Lynes, *Benefit Upgrading Policy and Living Standards* (Social Policy Research Unit, 1995) p.10.

¹⁵¹ Flora, Peter and Jens Alber, "Modernization, Democratization, and the Development of Welfare States in Western Europe," in Flora, Peter and Arnold J. Heidenheimer, eds., *The Development of Welfare States in Europe and America* (New Brunswick, USA: Transaction Books, 1981) p.57.

1940s), which is well below the theoretical maximum scope (300) and is below the 130 that Norway achieved in the late 1950s.

Means-tested benefits have become more important in social policy. Dependence on National Assistance/Supplementary Benefit rose threefold 1948-1971, mainly because of increasing numbers of elderly with state pensions below subsistence level (contrary to Beveridge's intention). Other contributory factors were the rise in single parenthood and unemployment.

The selectivists of the 1960s wrote as if universal services were the rule and on the increase and selective services the occasional exception and on the decrease, though the reverse was actually the case! More and more means-tested schemes were introduced over time. By 1939 there were 18 separate means tests in operation.¹⁵² By 1971 there were at least 38 separate major means-tested benefits in existence for which central government was responsible. Each had their own assessment criteria, which involved administering 7 million individual means tests.¹⁵³ Reddin tried to assess the number of means tests administered by local authorities in 1968 and found they numbered at least 3,000, of which 1,500 were unique to each local authority.¹⁵⁴ Thus there were some 1,500 definitions of poverty/financial need/ability to pay; the need to pay out some 1,500 different rates of charges or contributions; and the need to

¹⁵² Crowther, M. A., *British social policy 1914-1939* (Basingstoke: Macmillan Education, 1988).

¹⁵³ Mr Pardoe, *House of Commons Hansard*, v.827, 9 December 1971, col.1500.

¹⁵⁴ Reddin, Mike, "Local Authority Means-Tested Services," in Townsend, Peter, Mike Reddin, and Peter Kaim-Caudle, eds., *Social Services For All? Part One* (London: Fabian Society, 1968) p.9.

receive some 1,500 different rates of benefit. Poor families were 'caged in a veritable labyrinth of means tests' as Abel-Smith put it.¹⁵⁵

The Conservative government of the mid-1980s itself said: 'the Government's aim in the overall social security programme is increasingly expressed in terms of targeting resources effectively on the most needy in society'.¹⁵⁶ However, a DHSS review, initiated in 1985 to identify ways of targeting benefits, concluded that Britain already had one of the most targeted social security systems in the world.¹⁵⁷ Although the discourse around means testing benefits has changed over time from the (mythical) golden age of Beveridge when 'universalist' solutions were favoured, to the supposedly new tendency towards a 'residual' model in the 1980s, in practice, means-testing always played a significant role in the welfare state.

3.2 The alternatives to means testing

3.2.1 Selective or universal?

The purpose of this section is to examine where a policy of means testing stands in relation to other possible policies on the distribution of social benefits. In this section I consider: what distinguishes means testing from other ways of targeting? What are the intellectual arguments for and against means testing as a general approach, and what are the alternatives? What was the position of the political parties on means testing and its alternatives? The long-running debate over means testing

¹⁵⁵ Abel-Smith, Brian, "Conclusion: the Need for Social Planning," in Owen, David, Peter Townsend, and Brian Abel-Smith, eds., *Social Services For All? Part Four* (London: Fabian Society, 1968) p.113.

¹⁵⁶ Department of Health and Social Security, *Reform of Social Security: Programme for Action* (London: HMSO, 1985) Cited in Corden, Anne, *Changing Perspectives on Benefit Take-Up* (London: HMSO, 1995) pp.1-2.

¹⁵⁷ Glennerster, Howard, *British social policy since 1945* (Oxford: Blackwell, 1995) p.183.

was generally framed in terms of 'universal versus selective benefits'.¹⁵⁸ These sound like they should be very simple principles. However, actually determining how to implement them in practice raises many questions. Thus, these two concepts are not helpful as a way to analyse the arguments or describe the positions of political parties on means testing. I conclude that when thinking about alternative distribution policies, it is a mistake to rely on such a simplistic distinction.¹⁵⁹

3.2.1. Defining selective and universal

The purpose of this section is to draw out what is meant by the terms 'universal' and 'selective'. Firstly, to clarify what 'selective' means. There are various definitions:

1. Choosing priorities. For example between education and health, or between institutional provision and care in the community.
2. Selection according to physical or educational criteria. For example fatherless families, the blind, or persons aged 80 and over, may qualify for benefits irrespective of their incomes.
3. A test of means or income applied to the general population or a sub-population, to decide who is poor enough to be provided with cash benefits or free services, or to be excused charges or pay lower charges. In means testing, *specific individuals* are classified as

¹⁵⁸ See, for example, Seldon, A and H. Gray, *Universal or Selective Social Benefits?* (London: Institute of Economic Affairs, 1967); Titmuss, Richard M., "Universal and Selective Social Services," *Commitment to Welfare* (George Allen & Unwin, 1968); Reddin, Mike, "Universality versus Selectivity," *Political Quarterly* 40, no. 1 January (1969): 12-22; Davies, Bledwyn, *Universality, Selectivity and Effectiveness* (London: Heinemann, 1978); Besley, Timothy, "Means Testing Versus Universal Provision in Poverty Alleviation Programs," *Economica* 57, no. 225 (1990): 119-129; Shaver, S., "Universality or Selectivity in Income Support to Older People? A comparative assessment of the issues," *Journal of Social Policy* 27, no. 2 (1998): 231-254.

¹⁵⁹ In this respect I concur with R. Titmuss who called the arguments surrounding universalism and selectivism 'the most trivialised and denigrated' in 'the age of the great simplifiers ... who polarise conflicts so as to present them as entertainment', quoted in Davies, Bledwyn, *Universality, Selectivity and Effectiveness* (London: Heinemann, 1978) p.1.

eligible or ineligible for benefits according to income-related criteria.

This list shows that means testing is but one of a number of selection mechanisms - option (3). An alternative ideological position to selectivism or targeting of benefits is 'universalism'. 'Universal' can mean either a *free* service or a service *available to everyone*.¹⁶⁰ When the dichotomy between universal and selective is referred to, 'universal' means a free service and 'selective' means income and/or assets serve as a test of eligibility.

However, there are in fact various other positions in-between full universality and full selectivity, which means the debate is more intricate than the 'universal as opposed to selective' structure suggests. One alternative position is to have basic universal services, but give extra resources to particularly needy areas. This corresponds to option (2) above. This approach was elaborated by R. Titmuss:

'The challenge that faces us is not the choice between universal and selective social services. The real challenge resides in the question: what particular infrastructure of universalist services is needed in order to provide a framework of values and opportunity bases with and around which can be developed socially acceptable selective services aiming to discriminate positively, with the minimum risk of stigma, in favour of those whose needs are greatest'.¹⁶¹

He preferred the additional selective services to be selective on the basis of area, such as inner city projects, housing subsidies or subsidies to schools in deprived areas, rather than individual characteristics:

¹⁶⁰ Burns, Eveline M., "Income Testing of In-Kind Transfers: Discussion," in Garfinkel, I., ed., *Income-Tested Transfer Programs: The Case For and Against* (New York: Academic Press, 1982) p.344.

¹⁶¹ Titmuss, Richard M., *Commitment to Welfare* (George Allen & Unwin, 1968) p.135, reprinted in Titmuss, R.M., "Welfare State and Welfare Society," in Butterworth, Eric and Robert Holman, eds., *Social Welfare in Modern Britain* (Fontana / Collins, 1975), 25-37.

'In all the main spheres of need, some structure of universalism is an essential pre-requisite to selective positive discrimination; it provides a general system of values and a sense of community ... it allows positive discriminatory services to be provided as rights for categories of people and for classes in terms of priority social areas and other impersonal classifications'.¹⁶²

Thus, he proposed a core of services free on categorical grounds, rather than based on an income test. His description illustrates how 'targeting', or 'selectivity', is different as a concept from means testing. Targeting 'is the general process of channelling benefits such as food stamps or subsidized health care to a target population such as the poor, females or children'.¹⁶³ Crucially, these kinds of policies are not applied to individuals and so do not give rise to the problems and issues of personal means tests.¹⁶⁴

Yet another intermediate position between total universality and total selectivity is to provide universal benefits, but tax them. According to E.R. Kingston, this makes it possible to increase targeting of social benefits without undermining universality.¹⁶⁵ Although income tax is a kind of means test, he believes that there is a qualitative difference between taxing social security income and means testing it: tax treatment is not perceived as means testing and does not carry the same stigma. Similarly, M. Rein states that selectivity by income testing can be achieved either at the point of consumption or at the point of financing

¹⁶² Titmuss, Richard M., *Commitment to Welfare* (George Allen & Unwin, 1968) p.135.

¹⁶³ Willis, C. Y. and C. Leighton, "Protecting the Poor Under Cost Recovery - the Role of Means Testing," *Health Policy and Planning* 10, no. 3 (1995): 241-256 p.241.

¹⁶⁴ Titmuss, Richard M., "Universal and Selective Social Services," *Commitment to Welfare* (George Allen & Unwin, 1968) p.114.

¹⁶⁵ Kingston, E. R., "Testing the Boundaries of Universality - Whats Mean - Whats Not," *Gerontologist* 34, no. 6 (1994): 736-742.

(where the role of taxation comes in).¹⁶⁶ So, it can be seen that 'universal versus selective' is a somewhat simplistic distinction to make.

The terms 'universal' and 'selective' are also limited in their usefulness to describe models of provision because they do not take account of the conceptual difference between public purchase and public provision: who pays for the service is a different issue from whether a public or private enterprise provides it. Although universalists are associated with favouring the public sector and selectivists with preferring the private sector, whether services should be publicly or privately provided should really be regarded as a separate debate from that on universal versus selective benefits: a universal service does not have to be publicly provided. One can envisage free services provided in the private sector as much as free services provided by the public sector. Similarly, a distinction can be made between means testing within the public sector and means testing with private provision. So, another reason why thinking about means testing in the 'universal versus selective benefits' framework is flawed is that there are more subtleties to service provision than this approach highlights.

3.2.1. The sociological arguments

Arguments about universal or selective provision range from practical ones, to ideological ones. In this section and section 3.2.1 I review the main ideological arguments for and against universal and selective provision, which I have categorised as broadly 'sociological' and 'economic'. The two main *practical arguments against* selective provision – low take-up and incentive traps – are considered separately in section 3.3 below. The main issues from social point of view revolve around social solidarity, freedom of choice and rights. The economic points of

¹⁶⁶ Rein, Martin, "Income Testing of In-Kind Transfers: Discussion," in Garfinkel, I., ed., *Income-Tested Transfer Programs: The Case For and Against* (New York: Academic Press, 1982) p.352.

contention concern faith in the market as an allocative mechanism and attitude to levels of public expenditure. I argue that the universalist case is flawed unless one puts over-riding importance on the moral obligation of the government to create a more equal society: the other universalist aspirations are not incompatible with means testing.

Universalists argued that means testing would stigmatise the poor, lead to a divided society and prevent social expenditures making the maximum social and economic benefit. Universalists thought that the social services would have a central role to play in the creation of a more equal society. P. Townsend stated: 'What is at stake is not just the most technically efficient or cheapest means of reaching an agreed end. It is the kind and quality of society we wish to achieve in Britain'.¹⁶⁷ This represents a defence of universalism from a moral point of view, rather than a practical one. Under universalism, it has been argued, 'there would be a reduction of separate services and institutions for rich and poor and greater unity'.¹⁶⁸ Whereas two services, one for the poor and one for others, would allegedly tend to exacerbate divisions in society because the result is 'a poor service for the poor'. Similarly, Titmuss argued that: 'If these services were not provided for everybody by everybody, they would either not be available at all, or only for those who could afford them'.¹⁶⁹

Universalism has problems with freedom of choice. Pursuit of social solidarity through universalism effectively means that everyone has to have the same. Some universalists did not want to see any private provision. An example of universalist argument might be that free

¹⁶⁷ Townsend, Peter, "Introduction: Does Selectivity Mean a Nation Divided?," in Townsend, Peter, Mike Reddin, and Peter Kaim-Caudle, eds., *Social Services For All? Part One* (London: Fabian Society, 1968) p.1.

¹⁶⁸ Townsend, Peter, *The Scope and Limitation of Means-Tested Social Services in Britain* (Manchester Statistical Society, 1972) p.3.

¹⁶⁹ Titmuss, Richard M., *Commitment to Welfare* (George Allen & Unwin, 1968) p.129.

prescriptions for all are preferable to means tested charges, because the danger of charging is that it lowers the relative cost of private medicine and more and more people will opt for private provision. A more moderate universalist position on private spending, also outlined by R. Titmuss, was to try and ensure that the state was not indirectly subsidising private provision.¹⁷⁰ This view lay behind concern in the 1960s about the status of private education and efforts to end pay beds in NHS hospitals. For universalists reduced choice was not a problem. They argued that freedom of choice in services is illusory because it is only freedom for the better off. However, reducing the viability of private enterprise is not incompatible with means-tested access to public sector services (as opposed to free access).

Universalists were concerned that access to services should be a 'right'.¹⁷¹ But belief in rights to services is not necessarily incompatible with selective provision.¹⁷² All people are potentially needy and assistance is a right, not a gift. This is a need-based justification of social policy. In intellectual terms, the transition from 'need' to 'right' is difficult.¹⁷³ However, a society *can* define rights in terms of need.

From Townsend's perspective means-testing was a totally flawed approach. It assumed that a small diversion of national income was all that is needed to solve the problem of poverty. It widened rather than narrowed social inequalities. He said: 'It also assumes that the

¹⁷⁰ Titmuss, Richard, *Social Division of Welfare* (1958).

¹⁷¹ It is not possible to say within the scope and method of this thesis whether the view of the 'general public' to non-income maintenance benefits was an entitlement or a privilege, and whether this attitude changed over time.

¹⁷² Welfare rights policies are not as unconditional as the welfare rights theory that validates them might imply. See Barry, Norman, "Neoclassicism, the New Right and British Social Welfare," in Page, Robert M. and Richard Silburn, eds., *British Social Welfare in the Twentieth Century* (London: Macmillan, 1999) p.70.

¹⁷³ Baldwin, Peter, *The Politics of Social Solidarity: Class Bases of the European Welfare State 1875-1975* (Cambridge: Cambridge University Press, 1990) p.31.

circumstances of the poor can be greatly improved without changing major social institutions and severely limiting the opportunity of the prosperous sections of the population to accumulate more privileges'.¹⁷⁴

3.2.1. Economic arguments

In terms of economic arguments, the proponents of universal benefits posited, in effect, that what the better-off were prepared to pay for - 'market-forces' - were not an appropriate criterion for establishing the level of service to be provided. This can be the case when the gains to society as a whole in terms of social solidarity are great. In other words, when there are positive externalities. Externalities exist when the benefit to society (not just service users) is more important to consider than the benefit to the individual recipient. In such cases, the economic benefits of universalism 'go unrecognised in the conventional cost-benefit analysis applied to social expenditure by economists'.¹⁷⁵

On grounds of economic efficiency, selectivists argue that it is pointless to interfere with people's natural inclination to better themselves and the state should only intervene in cases of gross hardship. Furthermore, selectivity can be seen in the positive role of providing more resources for the poor. For example if the rich tend to use a service more (e.g. post-compulsory education) then this suggests that any benefit for the service should vary by income. It does not have to be seen negatively as a device for reducing expenditure centring on retrenchment rather than redistribution. Further, charging the richer may be a way of helping the

¹⁷⁴ Townsend, Peter, "Introduction: Does Selectivity Mean a Nation Divided?," in Townsend, Peter, Mike Reddin, and Peter Kaim-Caudle, eds., *Social Services For All? Part One* (London: Fabian Society, 1968) p.6.

¹⁷⁵ Lowe, Rodney, *The Welfare State in Britain since 1945*, 2nd ed. (London: Macmillan, 1999) p.20.

poorer, if it means that a service which would otherwise not be provided at all can be provided.¹⁷⁶

The universalists believed more strongly in the case for the redistribution of income and wealth, and preferred to use universal benefits to achieve it. However, universalism has had peculiar consequences for the redistributive record of the welfare state. The middle class have benefited a great deal from the welfare state, mainly because they did well out of universal provision such as NHS medical services and schooling.¹⁷⁷ The middle classes got services free which they would otherwise pay for. However, this was not a problem for the universalist theorist T.H. Marshall, who said: 'This is inevitable when services previously confined to the lower income groups are extended to the whole population'.¹⁷⁸ In other words, if the stigma of means-testing was to be removed, then some relatively affluent people would benefit: that was the inevitable consequence of providing services as right rather than as charity.

Selective provision was preferable to universalism for neo-classical theorists on the grounds of cost minimisation. From the Government's (particularly the Treasury's) point of view, means testing was desirable because it acted as a restraint on public expenditure. Having a means tested charge may also be a more attractive option than trying to cut the pay of the professionals involved in providing the service.

A defence of universalism concerned the relatively high cost of revenue collection compared to the revenue itself. However, free market economists such as H. Gray of the IEA posited that opposition to means testing on administrative grounds was a weak argument: The lower

¹⁷⁶ Lafitte, François, "The Right Means Tests," *New Society*, no. 6 April 1967 (1967) p.498.

¹⁷⁷ Goodin, Robert E. and Julian Le Grand, eds., *Not Only the Poor: The Middle Classes and the Welfare State* (London: Allen & Unwin, 1987).

¹⁷⁸ Jones, Kathleen, *The Making of Social Policy in Britain, 1830-1990*, 2nd ed. (London: Athlone Press, 1994) p.162.

volume of services supplied would compensate for the higher administrative costs.¹⁷⁹ It has also been found that the relatively high administration cost of the main social assistance benefit per beneficiary per week derives from the instability of individual circumstances leading to a frequent need to re-assess claims, and not from the complexity of the means test.¹⁸⁰ Certainly, in the case of the benefits considered in this study, the administrative savings from abolishing means-tested provision would in no way offset the loss of revenue from charging those who do not get means-tested help.

3.2.1. Conclusion

Commitment to more social solidarity is, essentially, a moral conviction, and there is probably little which can be said to dissuade those who hold such a view. However, the other universalist aspirations (redistribution, a strong public sector, welfare 'rights' and, for some theorists, reduced freedom of choice) are not incompatible with means testing. A more convincing drawback of income-testing is that it carries stigma which discourages take-up and it increases cumulative and marginal tax rates, creating incentive problems. These problems are discussed in section 3.3 below. As P. Townsend pointed out: 'In principle "selectivity" does not necessarily have these consequences but they tend to arise in practice.'¹⁸¹ This is why selectivity needs to be discussed in relation to its actual implementation, which I do in this thesis.

¹⁷⁹ Gray, H., "Towards a new welfare strategy," *New Society*, no. 1 February (1968) p.160.

¹⁸⁰ Spicker, Paul, *Poverty and Social Security: Concepts and Principles* (Routledge, 1993) p.141.

¹⁸¹ Townsend, Peter, *The Scope and Limitation of Means-Tested Social Services in Britain* (Manchester Statistical Society, 1972) p.3.

3.2.2 Political parties' positions

To means test or not was a political dividing line. Either side of the line were differing perspectives regarding personal responsibility and the proper role for the government in a market economy. In this section, the division of views about selectivism and universalism in social policy will be examined to see what impact it had on the way in which policies were designed by the two main parties in government between the 1940s and the 1990s. It considers the relevance of party ideology for their policy position.

In post-war social policy, the Conservatives were associated with a preference for selectivity, and Labour with a drive towards universalism.¹⁸² Their different views on this depended on the belief that the welfare state was a positive force for good whose role should be expanded for Labour, as against the Conservative's view that its role should be limited to correcting for market failure.

The dominant ideology for Labour was the 'Fabian socialist' viewpoint, which took as its goal the achievement of services open to citizens on the basis of need, paid for out of general taxation, and not rationed by charges.¹⁸³ Labour activists interpreted universalism as a clear commitment to a free health service, an increasing commitment to comprehensive education and, at least up to the 1960s, a strong commitment to a Beveridge-style insurance scheme to eliminate the need for means testing. In particular, there was a view that means tests should not be used to restrict access to services or to determine levels of charges because these cause stigma, deter take-up and encourage those who can

¹⁸² Spicker, Paul, *Poverty and Social Security: Concepts and Principles* (Routledge, 1993) p.119; Middleton, Roger, *Government versus the Market: The growth of the public sector, economic management and British economic performance, c.1890-1979* (Cheltenham: Edward Elgar, 1996) p.573.

¹⁸³ Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.157.

pay to use alternative services. The main exponents of the universalist case were academic supporters of the Labour party, notably R. Titmuss and P. Townsend, rather than Labour political leaders.

Some of the least constructive policies of the period emerged when Labour made ideological universalist gestures, for example when prescription charges were abolished in 1965, only to be re-instated three years later. In addition, when public expenditure cuts became necessary in the late 1960s there resulted a fierce debate in the Labour ranks on the subject of 'universality or selectivity'. As the Fabian society put it: 'a fundamental disagreement about the development of social policy which now appears to exist among leading spokesmen of the Labour Government and Labour Party'.¹⁸⁴

Conservative ideology was more ambiguous. Although the universal and redistributive nature of family allowances was unpopular with most Conservatives, there was strong support in the Party for some form of family benefit due its traditional concern for the family as an institution and also because family allowances had been enacted by the Conservative caretaker government in 1945, so it was part of the post-war welfare state the Conservatives could call their own.¹⁸⁵

The Conservatives generally endorsed a selectivist approach throughout the period. The desire to avoid dependence and the erosion of personal responsibility remained a characteristic Conservative theme in both theory and practice. Seldon's remark that 'Free or subsidised meals do

¹⁸⁴ Townsend, Peter, "Introduction: Does Selectivity Mean a Nation Divided?," in Townsend, Peter, Mike Reddin, and Peter Kaim-Caudle, eds., *Social Services For All? Part One* (London: Fabian Society, 1968) p.1.

¹⁸⁵ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.127.

not teach parents to be less destitute, less irresponsible or less ignorant' is representative of the Conservatives' stance.¹⁸⁶

Macleod and Maude writing in 1951, endorsed the general case for a social policy, but suggested that the egalitarian and universalist thrust of Labour policies had gone too far. They believed that 'Evils result from the assumption by the community of the exclusive role of Grand Almoner'.¹⁸⁷

Macleod and Powell in *The Social Services: Needs and Means* questioned why welfare should be provided without a means test. By seeking to provide an average standard, it was failing to deal with those in the greatest need, nor was the machinery of the welfare state 'helping the weak by its repression of the opportunities and independence of the strong'.¹⁸⁸ The clearest expression of selectivism by Conservatives has come from the New Right, especially the IEA, which disseminated that view after 1955.

In 1966 the Conservative Party was arguing the need to 'revitalise our Welfare State so that those most in need get the most help and so that our money is used sensibly and fairly'.¹⁸⁹ Targeting was essential to reconcile the rising tide of demand for welfare services with the equally vociferous demand for lower taxation, now seen as essential for electoral as well as economic success. The need not to interfere with the economic machine was consistently preached. Most Conservatives linked it with the need not to penalise through heavy taxation those with talent and enterprise, and the general message that people should be left with the fruits of their labour.

¹⁸⁶ Seldon, Arthur, *Charge* (London: Temple Smith, 1977) p.122.

¹⁸⁷ One Nation Group, *One Nation* (1951).

¹⁸⁸ Macleod, Iain and Enoch Powell, *The Social Services: Needs and Means* (London: Conservative Political Centre, 1952).

¹⁸⁹ Conservative Party, *Action, Not Words* (London: 1966).

However, a switch from universal to selective benefits on its own would have disadvantaged traditional Conservative and floating voters in the middle class and upper working class. Compensation was therefore offered by continuing reductions in the standard rate of income tax and by offering concessions designed to reward personal initiative and savings. Its use of means testing was electorally sound because the tax breaks were aimed at the fast growing groups in affluent Britain and traditional Conservative supporters.

J. Barnes stated that: 'Conservative exponents of social reform wish to avoid making the citizen overly dependent on the state, hence the emphasis throughout the party on social insurance, to which the individual himself as well as his employer and the state contributes'.¹⁹⁰ However, there is more than one way to 'avoid dependence on the state', and selectivity and tightening eligibility criteria was the dominant method used by the 1980s. The mood changed such that by the early 1980s a universal free service for school meals was 'an idea scarcely mentioned, even by the most radical of public figures'.¹⁹¹

In summary, neither party had a clear standpoint. Rather, concerns appeared from time to time. In practice the party positions were confused, with the Conservatives slightly more inclined to adopt a pragmatic attitude. There is no simple way of characterising the interaction between the parties on this issue, which varied over time and from policy area to policy area. What we find is that different arguments were applied to different services.

¹⁹⁰ Barnes, John, "Ideology and Factions," in Seldon, Anthony and Stuart Ball, eds., *Conservative Century: The Conservative Party since 1900* (Oxford: Oxford University Press, 1994) p.331

¹⁹¹ Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) p.6.

There is, only a vague party division which can be perceived along universalist/selectivist lines. For example, the Conservatives were prepared to go further than Labour and increase charges for prescriptions in the 1980s. As another example, the Conservatives were content to see charges steadily increase and limited access to school dinners and student support.

However, the universal/selective debate only really affected two parts of social security - education and health - in other words the basic elements of the welfare state. That personal social services and benefits such as legal aid should be subject to means tests has hardly been publicly contended. Therefore the universalist/selectivist divide is not a useful way to characterise the parties' positions on means testing.

3.2.3 Alternative models of provision for non-subsistence benefits

In this section I outline the specific alternatives to means testing which have been proposed for the four services which are the subject of this study.

For pharmaceutical benefits, the main alternative to means-tested low income exemptions which politicians and policy analysts proposed was free dispensing of prescriptions for all NHS patients. For school meals, the alternative model of free meals for all school children was suggested by campaigners. For example, universalism in school meals was the policy of the CPAG.¹⁹² Within government, replacement of the benefit in-kind by a cash payment was suggested and implemented for FIS recipients, although FIS itself was a means tested benefit. With student support, student leaders would have welcomed a 'liveable' maintenance grant for students in higher education, but it was not to be. Civil legal aid provided representation by private practitioners paid by public funds.

¹⁹² Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) p.6.

'The intention was to provide the same representation for low-income litigants that they would have obtained if they could afford a lawyer'.¹⁹³ An alternative would have been to provide salaried lawyers at people's legal centres. Apart from free prescriptions for all, none of these alternatives to a means tested benefit were ever seriously countenanced by politicians, whether in or out of the government.

3.2.4 Conclusion

Much of the criticism about means testing is directed at the general concept, rather than specific means-tested benefits. The analysis of policy has tended to be at an abstract level, dichotomising between universal and selective benefits. Universal versus selectivity is a 'symbolic' argument, as some means-testing is plainly reasonable.

Another device, rather than means-testing, might be to use another filter which separates the decision to supply the service and the demand for the service. For school meals this could be evidence of malnutrition, as used to be the case in the inter-war period. But this is not feasible for the other benefits. Income inevitably has to be one of the criteria. How would one decide who 'needs' a university education or a divorce, for instance?

Policy makers have assumed that this simplistic distinction is useful in designing benefits. But they are vague terms and impede understanding of the continuum in policy design. Most so-called 'universal' benefits have not been available to everyone, irrespective of income, but depend on broad social categories of eligibility. The state retirement pension, for example was only for those with a social insurance contributions record. There is a separate debate about whether services should be publicly or privately provided. A distinction can be made between means testing within the state sector and means testing without any assumption about

¹⁹³ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.5.

public or private provision. In summary, benefits are not adequately described by the polar extremes of selectivity and universalism.

Unless we can select those in need of social benefits without investigating their income, we need ways to discuss appropriate and practical ways to improve the assessment of income, as opposed to debating the merits and drawbacks of means testing *per se*. As one commentator put it: 'Once only death and taxes were inevitable. For the time being at least, means tests must be added to the list'.¹⁹⁴ Nevertheless, the political acceptability, the economic costs and the social consequences of means tested benefits depend to a great extent on their design. Therefore other, more detailed, concepts are needed to describe how means tests were designed and how they were administered.

To conclude, *it is a mistake to rely on the simple dichotomy of income-tested versus universal benefits*. An analysis stripped of context and situation cannot provide answers to the design problems faced in real life. Much depends on the form in which each of these programs is devised. These issues of design are critical in determining political acceptability, the economic costs and the social consequences of the development of these types of programs. It is these aspects that the rest of this thesis is about. As a final comment on this section, the study of means tests and their administration reveals much which is of direct relevance to the wider discussion of the virtues and evils of selectivity. We need to know about the operation of selective means tested systems, their utilisation and their value to recipients.

¹⁹⁴ Piachaud, D., "The Means Test Morass," *New Society* 59, no. 1006 (1982): 307-308 p.308.

3.3 Implementation problems

There were other barriers to access apart from lack of sufficient income. They required a different policy from a means test to address. To focus here on the means test side of service provision is not to deny that there existed other barriers to the use of the service. Nevertheless, it is still relevant to examine the means test, because in all four instances, income could be one barrier to access of a service.

Table 3-1 Non-financial reasons for non-take-up: supply factors

Pharmaceutical benefit	Lack of access to a doctor.
Free school meals	Lack of facilities for preparation and serving of meals in schools; children's absence from school due to sickness, exclusions or truancy.
Student grants	Lack of necessary qualifications to get into university ¹⁹⁵ ; parents' refusal to pay their assessed contribution ¹⁹⁶ .
Civil legal aid	Lack of availability of a solicitor offering legal aid in some geographical areas ¹⁹⁷ ; ignorance by solicitors of their clients' potential eligibility to legal aid ¹⁹⁸ ; that the case must not be 'unreasonable'; that legal aid unavailable for certain types of case e.g. libel, slander, breach of promise ¹⁹⁹ .

In some cases, the issues involved in ensuring access to the means-tested service are wider even than take-up. For example, R. Smith points out that: 'access to justice requires policies that go beyond legal aid and the provision of lawyers or advisors'.²⁰⁰ As another example, access to school

¹⁹⁵ Blaug, M., "Loans for Students?," *New Society*, no. 6 October (1966) p.540.

¹⁹⁶ Abel-Smith, Brian, "Income Testing of In-Kind Transfers," in Garfinkel, I., ed., *Income-Tested Transfer Programs: The Case For and Against* (New York: Academic Press, 1982).

¹⁹⁷ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.20.

¹⁹⁸ Partington, Martin, *The Legal Aid Means-Tests: Time for a Reappraisal* (London: Child Poverty Action Group, 1978) p.15.

¹⁹⁹ Willmott, Phyllis, *Consumer's Guide to the British Social Services*, 1st ed. (Harmondsworth: Penguin, 1967) p.236.

²⁰⁰ Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.3.

meals is affected by supply factors which include availability of dining accommodation and kitchen capacity.²⁰¹

Table 3-1 describes some of the barriers to use of means-tested services, which were not to do with the means test. The factors listed here are ones which affect the supply of the means-tested benefit to financially eligible people. There are also factors in non-take-up which relate to the demand for the benefit. Those factors, such as stigmatisation and ignorance are considered below.

3.3.1 Non-take-up

Some people who are in theory eligible for benefits under income test schemes do not apply for them, and this lack of 'take-up' is the first major practical objection to means tests. Take-up is defined as: 'that proportion of overall entitlement actually received, or the percentage of people entitled who receive benefit'.²⁰² It is of interest because 'measures of take-up provide indicators of effectiveness in implementing social security policy'.²⁰³ The reasons for non-take-up most frequently cited as important in the literature are stigma and ignorance.²⁰⁴

²⁰¹ Davies, B. and V. Williamson, "School Meals - Short Fall and Poverty," *Social and Economic Administration* January (1968) p.8.

²⁰² Corden, Anne, *Changing Perspectives on Benefit Take-Up* (London: HMSO, 1995) p.1.

²⁰³ Department of Health and Social Security, *Reform of Social Security: Programme for Action* (London: HMSO, 1985) Cited in Corden, Anne, *Changing Perspectives on Benefit Take-Up* (London: HMSO, 1995) p.1.

²⁰⁴ See, for example Townsend, Peter, *Poverty in the United Kingdom: A survey of household resources and standards of living* (Harmondsworth: Penguin, 1979) p.879; "Prescription for Ignorance," *Poverty* 8 (1968); Wootton, Barbara, "Review of 'Reserved For the Poor: the Means Test in British Social Policy' by A. Deacon and J. Bradshaw," *New Society* 66, no. 1093 (1983): 156-157; Field, Frank, *The stigma of free school meals* (London: 1974); Kay, S., "Problems of Accepting Means-Tested Benefits," in Butterworth, Eric and Robert Holman, eds., *Social Welfare in Modern Britain* (Fontana / Collins, 1975), 141-144; Weir, S., "Stigma with chips," *New Society*, no. 28 January (1982); Purnell, C., *The Prospect for Rent Allowances* (London: Wandsworth People's Rights, 1973); Purnell, Chris, "Means-tested benefit take-up among private sector tenants," *Poverty* 26 (1973) p.15. Meacher, Molly, *Rate Rebates: A Study of the Effectiveness of Means Tests* (London: Child Poverty Action Group, 1972) confirmed the importance of ignorance, but also showed that it was not the

Means tests allegedly lead to stigmatisation. For example, a 1981 survey showed low take-up of school meals, with only 60 per cent of eligible children receiving the free meals because of stigmatisation.²⁰⁵ Similarly, of around 1.8m school children entitled to free school meals in 1996-7, 20 per cent did not take up their entitlement.²⁰⁶ Much of the stigma was to do with the way that free school meals were administered at school level. It was found that parents' belief that other children would know if their child had free meals, or that their child would mind others knowing, was an important factor in determining whether eligible families actually claimed free meals or not.

Stigma is also affected by whether receipt of the service suggests inadequacy on the part of the applicant. Thus there is a greater perception of stigma in relation to receipt of free school meals than student grants. M. Partington argued that the possibility of stigma is greater the smaller the client group subject to the means test.²⁰⁷

only factor in non-take-up. Meacher, Molly, "Simplifying means tests," *Poverty* 27 (1973) notes that 'ignorance of the existing benefits, the income limits and claiming procedure accounted for fully 72 per cent of the non-take-up of benefits' and wonders 'once it is made easier to claim, the stigma attached to benefits will still keep the take-up rate down'. Lister, Ruth, *Take-up of Means-Tested Benefits* (London: CPAG, 1974) is a literature review, which shows that most of the surveys suggested that stigma was a factor, although not the only one. Bradshaw, Jonathan, "Tried and found wanting: the take-up of means-tested benefits," in Ward, Sue, ed., *DHSS in Crisis: Social Security - under pressure and under review* (London: CPAG, 1985) p.110 acknowledges that stigma and ignorance are frequently referred to but says that 'humiliating enquiries' and the 'confusion of old ladies' are not the only reasons for non-take-up.

²⁰⁵ Wilson, Paul, *Free School Meals: a survey carried out on behalf of the Department of Education and Science* (London: Office of Population Censuses and Surveys, 1981). Cited in Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) p.12.

²⁰⁶ McMahon, Will and Tim Marsh, *Filling the gap: Free school meals, nutrition and poverty* (London: Child Poverty Action Group, 1999) p.1.

²⁰⁷ Partington, Martin, *The Legal Aid Means-Tests: Time for a Reappraisal* (London: Child Poverty Action Group, 1978) p.24.

Another factor in non-take-up is ignorance of entitlement.²⁰⁸ A survey²⁰⁹ found that of those eligible for free school meals because of low income, only just over one-third were sure of their entitlement, 40 per cent thought they would not qualify and 24 per cent did not know whether they would or not. Ignorance of entitlement is a particular problem among the low paid employed.

Before applying, the applicant needs to know whether he stands a chance of being eligible for help. B. Abel-Smith described the causes of ignorance in the 1960s: 'For many of the existing selective benefits, eligibility requirements are a close kept secret: the scales, disregards and allowances are not published'.²¹⁰ This made it impossible for the applicant to know why he had been refused benefit. At that time he described the system as one in which 'while most of the authorities providing selective benefits work on the basis of minimum disclosure of their side of the operation, the applicant has to make maximum disclosure'.²¹¹ However, this was not so true by the 1990s, perhaps because of the criticisms of people like Abel-Smith about the systems.

A Department of the Environment survey of take-up of rent allowances in Haringey suggested that the two factors of stigma and ignorance were intertwined: people seemed far less ignorant of those benefits which did

²⁰⁸ For example, a circular sent out to parents in 1968 increased take-up of free meals by 100,000, suggesting ignorance of entitlement was a factor in non-take-up. *House of Commons Hansard* v. 722 4 November 1968, col. 489.

²⁰⁹ Wilson, Paul, *Free School Meals: a survey carried out on behalf of the Department of Education and Science* (London: Office of Population Censuses and Surveys, 1981)

²¹⁰ Abel-Smith, Brian, "Conclusion: the Need for Social Planning," in Owen, David, Peter Townsend, and Brian Abel-Smith, eds., *Social Services For All? Part Four* (London: Fabian Society, 1968) p.113.

²¹¹ Abel-Smith, Brian, "Conclusion: the Need for Social Planning," in Owen, David, Peter Townsend, and Brian Abel-Smith, eds., *Social Services For All? Part Four* (London: Fabian Society, 1968) p.114.

not involve a means test, even though they tended to be less well publicised.²¹²

Kerr clarified ideas about barriers to claiming means-tested benefits, and moved beyond the two ideas of stigma and ignorance.²¹³ Kerr's main interest was in why some pensioners did not claim the means-tested pension that they were entitled to. His approach was to look at the psychological determinants of claiming behaviour – beliefs, attitudes and feelings. Kerr identified six conceptually distinct reasons for claiming and incorporated them in a model that could be tested and used both to make interpretations and predictions. This was a way to cut through the 'conceptual clutter' that affected research on take-up at the time. Based on Kerr's ideas, I classify impediments to take-up as follows:²¹⁴

1. *Perceived need.* The individual's perception of the extent to which he is having difficulty making ends meet.
2. *Basic knowledge.* The individual's awareness or ignorance of the existence of a benefit.
3. *Perceived eligibility.* The individual's perception of the likelihood

²¹² Lewis, T., *Haringey Rent Allowance Project* (Department of the Environment,) unpublished. Cited in Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) p.15.

²¹³ See Kerr, Scott A., "Deciding about Supplementary Pensions: a provisional model," *Journal of Social Policy* 11, no. 4 (1982): 505-17 Summarised in Deacon, Alan and Jonathan Bradshaw, *Reserved For The Poor: The Means Test in British Social Policy* (Oxford: Blackwell, 1983) p.139.

²¹⁴ There is no accepted schema for classifying barriers to take-up in the social policy literature, so I developed my own definitions, mainly based on Kerr, Scott A., "Deciding about Supplementary Pensions: a provisional model," *Journal of Social Policy* 11, no. 4 (1982): 505-17 Purnell, C., *The Prospect for Rent Allowances* (London: Wandsworth People's Rights, 1973) distinguishes two sets of reasons for failure to claim, 'technical factors' such as ignorance, and 'non-technical factors' such as stigma. Deacon, Alan and Jonathan Bradshaw, *Reserved For The Poor: The Means Test in British Social Policy* (Oxford: Blackwell, 1983) found that the three barriers of ignorance, complexity and attitudes to stigma contain within them a variety of different elements. Meacher, Molly, *Rate Rebates: A Study of the Effectiveness of Means Tests* (London: Child Poverty Action Group, 1972) listed seven factors which may affect the attitude to claiming. Bradshaw, Jonathan, "Tried and found wanting: the take-up of means-tested benefits," in Ward, Sue, ed., *DHSS in Crisis: Social Security - under pressure and under review* (London: CPAG, 1985) found a variety of reasons for non-take-up to do with the complexity of means tested benefits.

that they are eligible for the benefit, misunderstanding of the eligibility criteria, misperception caused by repudiation of past claims.

4. *Perceived utility*. The individual's perception of the utility of the benefit in meeting his specific needs, the value of the benefit.
5. *Beliefs and feelings about the application procedure*. Whether they are positive or negative, pride and fear of stigma, fear of officials, lack of articulate-ness in the face of a complex claims procedure.
6. *Perceived stability of the situation*. The extent to which beliefs about the instability of the individual's situation prevents him from applying.

To apply for a benefit, a claimant has to have a positive response to all six of these. Each taken alone is not sufficient reason for claiming.

Kerr's model has been criticised because it predicts non-claimants better than claimants. Also, its focus is on psychological determinants of individual claiming behaviour.²¹⁵ Much economic work is underpinned by theory based on individualism, emphasizing choice and behaviour based on conventional ideas of utility maximization. For example, stigma could be modelled as a psychological cost.

However, it is not enough to look at the motives, intentions and decisions of applicants themselves. Policy makers and administrators have significant roles too. Policy makers design the benefit. Elements of design, such as the eligibility criteria, the name of the benefit, the amount of money available and length of award, and the position of the benefit within the overall social security system, will all have some effect on take-up. The way in which benefits are delivered will also influence take-up. Influences affecting take-up can be systematically classified at three levels:

- The benefit scheme
- The administration

²¹⁵ Corden, Anne, *Changing Perspectives on Benefit Take-Up* (London: HMSO, 1995) pp.4-6.

- The applicant.

In this thesis, I use a model which emphasises the design of benefits, rather than a model which emphasises administration and/or decision making by individual applicants. An advantage of this approach is that attention is focused on the benefit structure, rather than placing most of the responsibility on the claimant.

Stigma, and the other factors that impede take-up under (5) *Beliefs and feelings about the application procedure*, are not ones which this thesis is concerned with. Similarly, factors (1) and (6), which are to do with the applicant's interpretation of his own situation, are not looked at in this study. (4) *Perceived utility* is also to do with the applicant's interpretation of his own situation, which the method of this thesis cannot address.

However, the statistical analysis of the real value of the benefits over time provided in chapter 4 gives an indication of the relative values of the particular benefits which are under consideration in this study. The value of the benefit influences take-up: the more valuable the benefit, the greater the take-up.

The aspects of take-up which I can contribute to with this thesis relate mainly to (2) *Basic knowledge* and (3) *Perceived eligibility*. These are two facets of 'ignorance'. They are affected by the benefit design. As Corden says: 'While these effects have traditionally been interpreted at the client level in terms of misunderstanding, or inability to make the necessary intellectual links, they may be equally well interpreted in terms of the characteristics of the benefit itself'.²¹⁶ This is the approach which this study takes. It makes my analysis of the complexity of means tests in chapter 6 highly relevant to understanding take-up.

²¹⁶ Corden, Anne, *Changing Perspectives on Benefit Take-Up* (London: HMSO, 1995) p.15.

Van Oorschot and Kolkhuis Tancke²¹⁷ found a greater probability of non-take-up in schemes with a design that:

- Has a high density of rules and guidelines
- Contains complex rules
- Contains vague criteria of entitlement

The two criteria of density of rules and guidelines, and complexity of rules have some overlap. Their effect is to depress take-up by delaying and preventing applications and contributing to dissemination of misinformation. It proved hard to maintain levels of take-up of benefits with precise and extremely sensitive financial tests. However simple they seemed to the assessors, the financial assessment procedures were complicated, which made it very difficult for a potential applicant to estimate his or her eligibility. There are people who assume (often wrongly) that they will not be eligible, and so choose not to be means tested. Imprecision also encourages ineligible people to apply, which wastes administrative time. It has been pointed out that 'financial assessment procedures really are difficult to comprehend at a glance,' and that 'intuitive ideas about how they operate can be very inaccurate'.²¹⁸

Density of rules and guidelines, and complexity of rules encourage vague criteria of entitlement. As Corden puts it: 'It is a paradox that precise and complex rules of entitlement have to be summarised or reformulated in general terms for promotional purposes'.²¹⁹ This creates, in turn, the

²¹⁷ Van Oorschot, W. and P. Kolkhuis Tancke, *Niet-gebruik van sociale Zekerheid; feiten, theorieën, onderzoeksmethoden* (Den Haag: 1989)(Summary in English: Van Oorschot, W., "Non-take-up of social security benefits in Europe," *Journal of European Social Policy* 1, no. 1 (1991): 15-30). Cited in Corden, Anne, *Changing Perspectives on Benefit Take-Up* (London: HMSO, 1995) p.13.

²¹⁸ May, J.S., "Charging for Home Help," in Gibson, J.G., ed., *Fees and Charges in the Personal Social Services* (Birmingham: Institute of Local Government Studies, University of Birmingham, 1979) p.28.

²¹⁹ Corden, Anne, *Changing Perspectives on Benefit Take-Up* (London: HMSO, 1995) p.14.

impression of vagueness. For example, free prescriptions may be advertised as available to 'families on low earnings'. This is such an imprecise concept that it prevents people identifying themselves as included. The criteria are not really vague: it is the need to promote the benefit in popular terms that produces vagueness. Another kind of imprecision is also involved with benefits that incorporate considerable discretion in the entitlement criteria.

The difficulties faced by people with low literacy skills is another reason cited for low take-up. However, a survey²²⁰ showed that the method of distribution of forms, rather than the design of the form, is a more important factor in the number of applications for a benefit. Door-to-door distribution of a simplified form had no more impact on applications than door-to-door distribution of a more complex form. So it does seem to be important to take-up that information on benefits is made widely available.

On the other hand, improving information can only do so much to increase take-up. Although experimental campaigns by government in 1967 and 1968 showed that take-up of free school meals could be increased substantially by letters addressed directly to parents and advertising,²²¹ advertising only draws attention to the existence of a benefit for a short time, and then the effect rapidly dissipates.²²² The best hope for improvements in take-up is to simplify the process of claiming or simplify the benefits themselves.

²²⁰ Welsh Consumer Council, *One Form for Benefits?: A Welsh Consumer Council Study of Multi-Purpose Claim Forms in Merthyr Tydfil* (Cardiff: Welsh Consumer Council, 1977) pp.44-47.

²²¹ Black, Sir Douglas et al., *The Black Report*, 1992 ed. (London: Penguin, 1980) p.179.

²²² Partington, Martin, *The Legal Aid Means-Tests: Time for a Reappraisal* (London: Child Poverty Action Group, 1978) p.22.

Van Oorschot and Kolkhuis Tancke²²³ also found a greater probability of non-take-up in schemes that:

- Are aimed at groups in society subject to negative prejudices
- Supplement other sources of income.

There are other factors that might be added to their list. Schemes that:

- Overlap or interact with other benefits
- Challenge cultural norms.

The kind of effect produced by having a target group in society negatively valued is usually interpreted at the applicant level, in terms of feelings and perceptions of individual claimants. But it can also be thought of in association with features of benefit design, such as how high up the income scale eligibility reaches. This effect might apply to one or more of the non-subsistence benefits which are the subject of this study. Student grants were the benefit least likely to have negative connotations.²²⁴

Non-take-up is greater for benefits designed to supplement other sources of income. This is a particular difficulty for the benefits which are the subject of the study, since they are all non-subsistence benefits. In other words, by definition they supplement other sources of income.

Overlap and interaction in the criteria for eligibility, such as when one benefit counts as income in the assessment of another, lowers take-up. It is often not easy for the applicant to work out which combination is in their overall financial interest. Another example of interaction is where

²²³ Van Oorschot, W. and P. Kolkhuis Tancke, *Niet-gebruik van sociale Zekerheid; feiten, theorieën, onderzoeksmethoden* (Den Haag: 1989)(Summary in English: Van Oorschot, W., "Non-take-up of social security benefits in Europe," *Journal of European Social Policy* 1, no. 1 (1991): 15-30). Cited in Corden, Anne, *Changing Perspectives on Benefit Take-Up* (London: HMSO, 1995) p.13.

²²⁴ Townsend, Peter, *Poverty in the United Kingdom: A survey of household resources and standards of living* (Harmondsworth: Penguin, 1979) p.891. Timmins asserts that there was 100 per cent take up of student grants. See Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.285.

receipt of one benefit is an essential criterion for eligibility for another, such as 'passported' benefits. Lowered take-up of one benefit has a 'knock-on' effect on the second. This is a structurally-produced effect. For the applicant, overlaps and interactions are hard to understand. They make people confused and contribute to fear of claiming a benefit should it lead to a reduction in existing benefits. It contributes to misinformation or belief that people are not entitled to two benefits at once. These effects are likely to apply to non-subsistence benefits.

Eligible families may be deterred from applying for benefits if structural aspects conflict with normal behaviour for the person. For example, free school meals may not be accessed by children if their peers do not eat school meals.

Is non-take-up actually a problem? It could be argued that it is a matter of self-selection among potential claimants.²²⁵ The extent of utilisation of services for which people are potentially eligible would be useful to know, but it is not part of this study. Another type of survey would have to be done to get that information. This would be valuable additional information in gauging the effectiveness of a benefit in reaching its target group. However, for a couple of the benefits which are the subject of this study, was able to make a limited comparison of the published figures on the numbers of people who did claim with my calculations of the numbers eligible and thus estimate the level of take-up achieved (see section 8.4).

3.3.2 Disincentives

The poverty trap and other distortions to incentives created by means tests are the second major objection to them. Even if there were 100 per

²²⁵ Bradshaw, Jonathan, "Tried and found wanting: the take-up of means-tested benefits," in Ward, Sue, ed., *DHSS in Crisis: Social Security - under pressure and under review* (London: CPAG, 1985) p.109.

cent take-up of means tested benefits, we would still be left with the other major objection to them: that of the poverty trap.²²⁶ The problem is that some individuals may choose to work less than they could in order to qualify for benefits. Means testing also introduced another disincentive - the 'savings trap'. This is because of the use of wealth holdings to reduce or remove entitlement to benefit. A significant role for means tested benefits, 'may appear attractive in the short-term as a means of concentrating available resources on those in greatest need. But in the long-term it reduces incentives to work and save'.²²⁷ It can be argued that means testing is fundamentally at odds with the goal of encouraging self-help and independence, although it is superficially attractive because it limits expenditure.

The poverty trap and other disincentives is not a new problem. It was known to benefits administrators to be a problem in the 1950s. One of the first papers to identify and name the phenomenon appeared in 1971.²²⁸ The poverty trap has been described as 'taking on new and more complex practical forms, because of the rapidly growing use in the 1990s of means-testing to determine access to an ever wider range of benefits and services by local, as well as central, government'.²²⁹

New Right thinkers are concerned about the poverty trap because it means that policies may not be getting people off welfare, which is the aim. Traps which lead to a 'dependency culture' are a direct consequence

²²⁶ Deacon, Alan and Jonathan Bradshaw, *Reserved For The Poor: The Means Test in British Social Policy* (Oxford: Blackwell, 1983) p.148.

²²⁷ Piachaud, David, "Progress on Poverty," *New Economy* 6, no. 3 (1999): 154-160 p.154.

²²⁸ Field, F. and D. Piachaud, "The Poverty Trap," *New Statesman*, no. 3 December (1971) was the first according to Alcock, Pete and Sarah Pearson, "Raising the poverty plateau: The impact of means-tested rebates from local authority charges on low income households," *Journal of Social Policy* 28, no. 3 (1999): 497-516 p.498.

²²⁹ Alcock, Pete and Sarah Pearson, "Raising the poverty plateau: The impact of means-tested rebates from local authority charges on low income households," *Journal of Social Policy* 28, no. 3 (1999): 497-516 p.498.

of targeting on the poor. Social security may therefore be reinforcing the problem of poverty rather than relieving it. Disincentive effects are much worse at the lower end of the income scale than for the middle class who are believed to work for other reasons than simply to earn money.

Another problem is that the existence of poverty traps is a great encouragement to fraud.²³⁰

The incentive effects of benefits are analysed by the implicit marginal tax rate for the benefit recipient. The means tested student grant raised the implicit marginal tax rate to very high levels. The means test for assessing students' grants gave rise to a middle class 'poverty trap', which may have had disincentive effects.

Incentive problems are worse when the tapering of several means tested scales overlap and interact. Examining schemes in isolation from each other is of less value than examining how they interact for this reason, especially when low income families can quite feasibly be involved in several different schemes at the same time. This makes the microsimulation method an ideal method to investigate means tested benefits.

Unfortunately the responsiveness of public demand to these changes in marginal tax rates is not easy to measure, but the changes will be in the direction the analyst assumes, even if the extent varies. The size of the poverty trap will depend on the value of the benefits in question.

Reference to the table showing the value of benefits in chapter 1 suggests that student grants and civil legal aid may affect the behaviour of recipients because of the high absolute value of the benefit. The less valuable benefits of free school meals and prescriptions might influence the behaviour of their recipients, because even though the benefit is

²³⁰ Barry, Norman, "Neoclassicism, the New Right and British Social Welfare," in Page, Robert M. and Richard Silburn, eds., *British Social Welfare in the Twentieth Century* (London: Macmillan, 1999) p.71.

worth quite little, it is a relatively large amount to people on the lowest incomes.

However, it is not formal economic analysis of the pros and cons of different types of provision which has determined social policy, but rather the broader social, economic and political forces. This is especially the case in forming the governments' preference for means testing.

3.3.3 Conclusion

This chapter has taken for granted that means tests were used, and will be used in the future, despite having some drawbacks. I have identified three problems: non-financial barriers to take-up, non-take-up, and disincentives. Commentators differ as to how fatal they think the flaws of selectivity are. What can this study contribute to understanding and resolving these problems?

Non-financial barriers on the supply side are not unique to a means tested service: they might equally exist in a service which is free to all. These are not issues which this study can address. Turning to the demand side, my examination of the design and outcomes of means tests is relevant to some issues of take-up. Specifically, the aspects of take-up to which I can contribute with this thesis relate mainly to basic knowledge of the benefit and perceived eligibility of the benefit. These are two facets of ignorance and are affected by the benefit design.

4 The development of means-tested benefits

The purpose of this chapter is to identify the timing and nature of the major changes to the specific non-subsistence benefits which are the focus of this thesis. This kind of account, which pulls together several non-income maintenance benefits, is not available in any single published source. There exist accounts of the development of benefits individually, each spanning various different time horizons, but not a history which pulls the story of several benefits together. There are also general works on many aspects of the welfare state, for example those by R. Lowe and N. Timmins.²³¹ However, the scope of those books means that non-income maintenance benefits only feature at those moments when they were a concern of high politics. In this chapter I fill in the gaps left by over-arching accounts of the development of the welfare state. I also extend the individual histories already available by relating the changes in these benefits to the broader political, economic and administrative context in which welfare policy evolved between the 1930s and the 1990s.

The first objective is therefore to outline the main developments in the administration of these non-subsistence benefits. The second objective is to set these developments against the major political and economic events which influenced welfare policy, the policy on subsistence benefits and the debates on the welfare state which transcended policy on individual benefits. I am interested in whether major changes to non-income maintenance benefits fed through to actually make a difference 'on the ground' to the numbers and types of people eligible. This chapter is one half of the answer to that question, which I return to in chapters 7 and 8.

The approach taken was to collect information from as many primary and secondary textual sources as I could access. I also used quantitative

²³¹ Lowe, Rodney, *The Welfare State in Britain since 1945*, 2nd ed. (London: Macmillan, 1999); Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996).

data sources. I collated the research into a coherent account of the development of each benefit, looking for similarities and differences in how the wider context influenced their development. The chapter is divided into sections according to years when there were changes in government, as these usually correspond to changes in the political and economic environment. I first outline the general political and economic context. I then consider the developments in individual non-subsistence benefits. Not all of the benefits which are the specific focus of this study are mentioned for every epoch. Only those for which a substantial change occurred are described. In the conclusion to each section I make an overall assessment of the governments' records on social policy and of the developments in non-subsistence means-tested benefits in that period. The last section uses charts to present quantitative information relating to the whole period 1930-1997 for the purpose of quantifying the significance of the benefits which are the subject of this study

In the final conclusion I consider whether there is any general pattern to the timing and nature of major changes to non-subsistence benefits.

4.1 The 1930s

The benefits which are the subject of this study are mainly a post-war welfare state phenomenon. However, the inter-war period is very important to subsequent post-war developments, which makes it an apt starting point for my historical narrative.²³²

The Liberal government of 1905-15 had introduced many welfare measures, such as old age pensions, national insurance and national health insurance. The First World War further extended the reach of government into everyday life and increased social services expenditure. At the same time, the provisions of the Poor Law provided for those who

²³² Glennerster, Howard, "Social Policy since the Second World War," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.11.

did not have insurance. The re-organisation of local government in 1929 meant that the institutions of the Poor Law changed their name, but they were still recognisable.

4.1.1 School meals

In the late nineteenth century there were already charities which fed needy children either free or cheap dinners, such as the Destitute Children's Dinner Society.²³³ Compulsory elementary education (*Mundella Act 1880*) brought poor children into school. School meals were provided to make sure no children were too hungry to be able to take advantage of an education. The provision of school meals was first authorised by the *Education (Provision of Meals) Act* of 1906, which was a permissive measure that enabled local education authorities to assist school canteen committees, or to defray the cost themselves of providing meals. Bentley Gilbert identified the 1906 *Act* as the most significant break with the nineteenth century dominance of laissez-faire and as a significant invasion into the sphere of the Poor Law.²³⁴ The implications of this means test distinguished it from poor relief: the responsibility was confined to the parent only; the discretion was given to the education authority, not the relieving authority; and the parent was exempted from disenfranchisement.²³⁵

Administration of the 1906 *Act* was based on voluntary workers who had interested themselves in the welfare of school children. They would visit parents, and collect information about the economic circumstances of

²³³ Charity Organisation Society, "The Feeding of School Children," *Occasional Papers of the C.O.S.* (London: C.O.S., 1896); Council of the Society for Organising Charitable Relief and Repressing Mendacity, *Report on Soup-Kitchens and Dinner-Tables* (London: Longmans, 1871).

²³⁴ Gilbert, Bentley B., *The evolution of national insurance in Great Britain: the origins of the welfare state* (London: Michael Joseph, 1966)

²³⁵ Macleod, Iain and Enoch Powell, *The Social Services: Needs and Means* (London: Conservative Political Centre, 1952) p.15.

parents whose children appeared to need free meals.²³⁶ They assessed contributions from those parents able to pay something towards the cost.

Meals were served soup kitchen style. By 1914 only half the education authorities were providing meals, but 31,000 children were receiving meals.²³⁷ During the inter-war period an increasing number of local authorities took advantage of their power to provide school meals, and the tendency was for less and less to be demanded from the parents towards covering costs.²³⁸ School meals interacted with the main subsistence benefits for the unemployed in the inter-war period. Where parents were receiving public assistance or unemployment benefit, the cost of school meals received by their children was deducted from PAC or UAB grants. The mother had to choose between school meals and a little extra money. Regulations issued by UAB in December 1934 'prescribed that all meals beyond a certain number shall be taken into account in assessing an applicant's needs'.²³⁹

The provision of school meals continued to gain acceptance in many areas up to the start of the Second World War, although there was wide variation in provision. Some areas provided three meals a day, others a 'milk meal' consisting of a glass of milk and a biscuit.²⁴⁰ Still other authorities refused to provide a free meal service, arguing that school feeding was a public health measure and so should not be the

²³⁶ Milnes, Nora, "The Position of Voluntary Social Services in 1918," in Mess, Henry A., ed., *Voluntary Social Services since 1918* (London: Kegan Paul, 1948) p.21; National Council for Social Service, *Public Social Services*, 8th ed. (London: NCSS, 1939) pp.79-80.

²³⁷ Pearce, Malcolm and Geoffrey Stewart, *British political history 1867-1990: Democracy and decline* (London: Routledge, 1992) p.199.

²³⁸ Hicks, Ursula K., *British Public Finances: Their Structure and Development 1880-1952* (London: Oxford University Press, 1954) p.53.

²³⁹ Hewetson, John, *Ill-Health, Poverty and the State* (London: Freedom Press, 1946) p.43.

²⁴⁰ Political and Economic Planning, *Report on the British Social Services: a survey of the existing public social services in Great Britain with proposals for future development* (London: PEP, 1937) p.66.

responsibility of an Education Department.²⁴¹ As Harris states: 'In view of the variety of types of arrangement which local authorities were empowered to make, it is not surprising that it should be difficult to construct a consistent picture of the provisions they made during the interwar period'.²⁴²

At the outbreak of the war, 110,000 children were receiving free meals and 50,000 paid for them.²⁴³ The Board of Education aided LEA expenditure with a 50 per cent grant. Free meals mainly went to the urban poor, affected by poverty, unemployment and industrial disputes. Those who paid were mainly rural children who lived too far away to travel home at lunch time.²⁴⁴

4.1.2 Prescription medicines

In the 1930s there were four ways for patients to obtain medicines if they were not members of a friendly society, provident association or sickness club: through private fees, through National Health Insurance, from charitable dispensaries, or 'on the parish'.

Private patients paid a fee to the doctor of their choice. Fees varied according to income. The lowest fee was often within the grasp of the low-paid worker.²⁴⁵ Rent was usually taken as a rough indicator of means.

²⁴¹ Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.9.

²⁴² Harris, Bernard, *The Health of the Schoolchild: A history of the school medical service in England and Wales* (Buckingham: Open University Press, 1995) p.121.

²⁴³ Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) p.157.

²⁴⁴ Le Gros Clark, Frederick, *Social history of the school meals service* (London: London Council of Social Service, 1948) p.14.

²⁴⁵ Green, David G., "Medical Care without the State," in Seldon, Arthur, ed., *Re-Privatising Welfare: After the Lost Century* (London: Institute of Economic Affairs, 1996) pp.21-22.

In 1937 18 million workers were in the National Health Insurance scheme which came into operation in 1912.²⁴⁶ There were no major changes to the scheme in the inter-war years such as the overhauls the unemployment insurance scheme had received. In return for their contributions insured persons were entitled to medical attendance by a general practitioner called a 'panel doctor' who worked for the NHI scheme. The doctors received a capitation fee per head for each panel patient on their list. Patients 'on the Lloyd George', as it was called, were entitled to medicines. These were obtained either directly from the doctor or on prescription from a chemist.

At this time most doctors used to dispense their own medicines, especially in rural areas: it was only the NHS Act of 1946 which gave most dispensing to chemists. Doctors who did their own dispensing had to cover the cost of any medicines prescribed out of a small additional capitation fee they received for this purpose. This gave the doctor an incentive to restrict the value of medicines he prescribed.

Alternatively, medicines might be obtained on an NHI prescription from a chemist. Money available for paying chemists' bills was known as the Drug Fund which was financed on a so-called insurance basis.²⁴⁷ The amount of the Drug Fund was arithmetically determined. For example, the annual sum available in 1938 for paying chemists accounts was 2s. 11d. multiplied by the total number of persons entitled to obtain medicines or appliances.²⁴⁸ Certain provisions were made in case this amount was accidentally exceeded in any one year.

²⁴⁶ Fraser, Derek, *The Evolution of the British Welfare State: a history of social policy since the Industrial Revolution*. (London: Macmillan, 1973) p.198.

²⁴⁷ Martin, J P, *Social Aspects of Prescribing* (London: William Heinemann Ltd, 1957) p.15.

²⁴⁸ International Labour Office, *Economical Administration of Health Insurance Benefits* (Geneva: ILO, 1938) pp.218-222.

Under NHI it was hoped that the provision of pharmaceutical benefit would enable patients to be treated with appropriate drugs of high quality. However financial problems emerged. Efforts to limit drug spending were focused on the behaviour of doctors. A *National Formulary* and a *Drug Tariff* were issued to panel doctors to try and educate them to restrict their prescribing.²⁴⁹ Excessive prescribing was identified by the ratio of the individual doctor's prescription costs to the averages for the area in which he practised. Any unusually high spending on drugs was investigated by Regional Medical Officers.²⁵⁰

Participation in the National Insurance scheme was conditional on means. Although the introduction of National Health Insurance was contentious (unlike the introduction of unemployment insurance), it was soon found that the main disadvantage was that the scope of the scheme was not wide enough. The contributory insurance scheme covered only working people earning under £160 a year.²⁵¹ The income limit was raised to £250 in 1920 and there was frequent demand for a higher limit and more extensive coverage. Even so, most of the population including dependants, the elderly and children, were therefore not covered by National Health Insurance .

Those poorer people not covered could turn to hospital out-patients departments which treated the uninsured, as did charitable dispensaries. Some GPs ran their own little 'dispensary', supplying medicine in return for a small quarterly payment.²⁵² The utterly destitute were treated 'on the parish'. The 'Relieving Officer' was the clerk to the parish guardians

²⁴⁹ International Labour Office, *Economical Administration of Health Insurance Benefits* (Geneva: ILO, 1938) pp.225-230.

²⁵⁰ International Labour Office, *Economical Administration of Health Insurance Benefits* (Geneva: ILO, 1938) pp.235-238.

²⁵¹ Birch, R.C., *The Shaping of the Welfare State* (Harlow: Longman, 1974) p.31.

²⁵² Barber, Geoffrey, *Country Doctor* (Ipswich: The Boydell Press, 1974) p.54.

and decided whether a person qualified for parish relief, including entitlement to the parish doctor.

There was a limited range of drugs and those available were not particularly expensive because manufacturers did not on the whole engage in costly research and development: research only became important in the 1940s with the development of synthetic penicillins. Nevertheless, evidence shows that the prescription medicines that were available were still out of the reach of the pockets of many working class people.²⁵³ There was also a large measure of informal medical treatment. Pre-packaged, branded medicines were widely available from grocers', corner shops and even post offices.

In summary, in the 1930s there was no national scheme for providing medicines to needy people. Some people were able to access medicines through National Health Insurance. Others had to rely on local charitable ventures, or on the parish.

4.1.3 Student grants

In the nineteenth century grants to university students were only made by local authorities. By 1911 they were financially assisting 1,400 students, the average award being £43 per year.²⁵⁴ In 1920 a limited number of national state scholarships to universities were introduced. There were 200 initially and 360 by 1936.²⁵⁵ Awards given by the LEA were seldom the only award held in isolation by a student. In fact, having secured some other emolument was often be a condition for receiving

²⁵³ Roberts, Robert, *The Classic Slum* (1973) p.124.

²⁵⁴ Ministry of Education, *University Awards: The Report of the Working Party on University Awards appointed by the Minister of Education in April 1948* (London: HMSO, 1948) p.3.

²⁵⁵ Ministry of Education, *University Awards: The Report of the Working Party on University Awards appointed by the Minister of Education in April 1948* (London: HMSO, 1948) p.4; Leybourne, Grace G. and Kenneth White, *Education and the Birth-Rate: A Social Dilemma* (London: Jonathan Cape, 1940) p.252.

additional help from the LEA. Examples were students who already had scholarships at universities. Most LEAs also helped students wanting to go to university without scholarships. Such candidates for local aid, being considered to show less exceptional ability, usually received less. In 1937-38, apart from trainee teachers, 3794 men and 1110 women in universities and colleges were 'aided' by LEAs of England and Wales.²⁵⁶ These were small-scale schemes, which perhaps explains why there is little information about them readily available.

4.1.4 Civil Legal Aid

Before the Second World War arrangements for legal aid were based on 'organised charity'. It was essentially a voluntary service with no official provision.

The so-called Poor Persons' procedure was introduced in 1914. Under the Poor Persons' Procedure a rota of volunteer solicitors and barristers conducted the case without payment.²⁵⁷ It was used by young lawyers to gain experience. The income limit under the 'poor persons procedure' was £2 per week.²⁵⁸ From 1926, administration was by local committees of the Law Society, which were responsible for deciding whether to accept applications.²⁵⁹ The committees were mainly made up of solicitors. The scheme was funded by central government and administered by the professional body. The amount the Treasury paid was modest and the payments were limited to a narrow range of administrative expenses. In addition, the Poor Persons' Procedure was only for High Court cases.

²⁵⁶ Leybourne, Grace G. and Kenneth White, *Education and the Birth-Rate: A Social Dilemma* (London: Jonathan Cape, 1940) pp.257-260.

²⁵⁷ Morgan, Richard I., "The Introduction of Civil Legal Aid in England and Wales, 1914-1949," *Twentieth Century British History* 5, no. 1 (1994): 38-76

²⁵⁸ Bowles, Roger, "Reform of legal aid and the solicitors' profession," in Stephen, Frank H., ed., *Access to Justice* (Edinburgh: Edinburgh University Press, 1996) p.152.

²⁵⁹ Matthews, Edwin James Thomas and Anthony Derek Maxwell Oulton, *Legal aid and advice under the Legal Aid Acts 1949 to 1964* (London: Butterworths, 1971) p.13.

For other cases there were Poor Man's Lawyers, providing free legal advice to poor people in various parts of the country.²⁶⁰ A large number of bodies provided free legal advice and, in some cases, free legal aid in the county courts (such as for cases under Rent Restrictions or *Workmen's Compensation Acts*) and police courts (for cases such as maintenance and matrimonial problems).²⁶¹ In 1939 there was no single organisation or machine for the giving of free legal advice: work was done by scattered groups of volunteers. It was, however, possible for the citizen to approach a number of organisations or individuals. The approach, the organisation and the facilities offered all varied considerably. Some were religious bodies, like the Society of Our Lady of Good Counsel. Others were voluntary organisations of professionals giving their services without payments, such as the Bentham Committee set up in the London area in 1931 to arrange for setting up of Legal Advice Centres, and Poor Man's Lawyer Associations in Birmingham and Manchester. In Burnley, Lancashire, for example, although there was no poor Man's Lawyer service, there was a Poor Person's Divorce Committee.²⁶² Many schemes worked with the help of the local Law Society. Local Councils of Social Service encouraged the provision of free legal advice and trade unions also offered a legal advice service.²⁶³

In 1928 Lord Finlay's Committee was appointed to inquire into the problem of legal aid for poor persons. This committee did not

²⁶⁰ Brooke, Rosalind, *Information and Advice Services* (London: G. Bell & Sons, 1972) pp.120-121.

²⁶¹ Terry, John E., "Appendix - Legal Aid," in Bourdillon, A.F.C., ed., *Voluntary Social Services: Their Place in the Modern State* (London: Methuen, 1945) p.309.

²⁶² Hall, M.P., "Voluntary Organizations in Burnley, Lancashire," in Bourdillon, A.F.C., ed., *Voluntary Social Services: Their Place in the Modern State* (London: Methuen, 1945) p.268-9.

²⁶³ Terry, John E., "Appendix - Legal Aid," in Bourdillon, A.F.C., ed., *Voluntary Social Services: Their Place in the Modern State* (London: Methuen, 1945) p.307-8.

recommend a legal aid service paid for or subsidised by the State. Instead, the voluntary efforts of lawyers continued.

4.1.5 Conclusion

Analysis of inter-war welfare policy has been dominated by the responses to unemployment, but, as I have shown here, there were state and private responses to other social problems. In fact, in the 1930s Britain had a highly developed welfare sector, albeit residual welfare. Nevertheless, it had evolved out of responses to problems and was haphazard, varied and there was limited state involvement. Most schemes were down to local initiatives by local government and charitable efforts.

4.2 1939-1945

Wartime attitudes to welfare went through two distinct phases, with the publication of the Beveridge Report in November 1942 marking a break in the government's handling of reconstruction.²⁶⁴ At first, non-war-related legislation was put on hold in the expectation of a speedy Allied victory. Welfare reforms planned pre-war were abandoned. The immediate welfare action was to evacuate the cities and set up an Emergency Medical Service. The immediate needs of wartime set important precedents for post-war welfare policy. For instance, universalism in welfare policy was advanced by measures such as the free or low cost subsidised milk to expectant mothers and children under five in June 1940.²⁶⁵ In another example, the household means test was abandoned in 1941.²⁶⁶ In its place a new test of 'personal need' was

²⁶⁴ Inter-Departmental Committee on Social Insurance and Allied Services, *Social Insurance and Allied Services: Report by Sir William Beveridge* (London: HMSO, 1942).

²⁶⁵ Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) p.5.

²⁶⁶ Bevin, Ernest, *The Truth about the Means Test: "The Poor Law is Buried"*. (London: The Labour Party, 1941).

introduced.²⁶⁷ The UAB was renamed in 1941 the Assistance Board, and its remit extended to cover the needs of other groups, such as the elderly.²⁶⁸

The publication of the Beveridge Report was in 1942 a significant landmark. Before the Second World War responsibility for social security was divided between various government departments. Administration was badly organised, and the benefits were inconsistent, as was demonstrated in the previous section. Consequently Beveridge's Inter-Departmental Committee on Social Insurance and Allied services was appointed in June 1941 to look at the whole area.²⁶⁹ The Beveridge Report proposed that in return for a flat rate contribution from the state, the employer and the employee, the state would pay subsistence level benefits to the unemployed, the sick, the retired and those suffering industrial injuries and diseases. Beveridge proposed flat-rate benefits for flat-rate contributions in recognition of the importance of the insurance principal.²⁷⁰ His scheme was intended to ensure a universal minimum but not discourage individual provision.²⁷¹ For those who failed to contribute, national assistance would be available on a means-tested basis. Beveridge assumed that a health service would be created, which generated the expectation of an NHS among the public.²⁷²

²⁶⁷ Macleod, Iain and Enoch Powell, *The Social Services: Needs and Means* (London: Conservative Political Centre, 1952) p.14.

²⁶⁸ Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.12.

²⁶⁹ Harris, José, *William Beveridge: a biography* (Oxford: Clarendon Press, 1977) p.378.

²⁷⁰ Kavanagh, Dennis and Peter Morris, *Consensus Politics from Attlee to Major*, 2nd ed. (Blackwell, 1994) p.74.

²⁷¹ Alcock, P., *Understanding Poverty*, 2nd ed. (Basingstoke: Palgrave, 1997) p.172; Harris, Neville, "Beveridge and Beyond: the Shift from Insurance to Means-testing," in Harris, Neville, ed., *Social Security Law in Context* (OUP, 2000) p.91.

²⁷² Berridge, Virginia, *Health and Society in Britain since 1939* (Cambridge: CUP, 1999) p.14.

The Beveridge Report symbolised popular hopes and fundamentally altered what was politically possible. Churchill personally was hostile to anything which detracted from the immediate waging of the war.²⁷³ His views were shared by the Conservative majority who warned against plans and promises which they regarded as impossible to fulfil in the future.²⁷⁴ Furthermore the Labour leaders in the coalition were in a relatively weak position and the Treasury was also an impediment to reform.

Plans for reconstruction became of crucial propaganda importance and in Autumn 1943 a Reconstruction Committee was set up under Lord Woolton. The Treasury had fundamental objections to the Beveridge Report, even though Keynes had popularised the notion that a depression could be offset by increasing welfare expenditure to increase demand.²⁷⁵ Both major parties adopted the Beveridge scheme into their post-war plans, but the Labour Party seemed more committed and the Conservatives prevaricated.²⁷⁶ Labour ministers resigned from the coalition in May 1945 because they thought the Conservatives were insincere about welfare reform. In the Caretaker government under Churchill (23 May - 26 July 1945) the decreased priority given to welfare was symbolised by the winding up of the Reconstruction Committee.²⁷⁷

²⁷³ Harris, José, *William Beveridge: a biography* (Oxford: Clarendon Press, 1977) p424; Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.17.

²⁷⁴ Harris, José, "Some Aspects of Social Policy in Britain during the Second World War," in Mommsen, W.S., ed., *The Emergence of the Welfare State in Britain and Germany 1850-1950* (Croon Helm, 1981) p.258; Kavanagh, Dennis and Peter Morris, *Consensus Politics from Attlee to Major*, 2nd ed. (Blackwell, 1994) p.75.

²⁷⁵ Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) pp.6-7.

²⁷⁶ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) pp.48-49.

²⁷⁷ Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) p.7.

The (Conservative) caretaker government introduced Family Allowances. The Government indicated that eventually a free school meal service would be introduced as part of the family allowance scheme.²⁷⁸ The other main welfare measure which the Conservatives implemented was the 1944 'Butler' *Education Act*. Among other things the 1944 *Act* accepted the development of school meals and milk schemes and extended the obligations and powers of local education authorities to provide scholarships (grants) for students in higher education.²⁷⁹

4.2.1 School meals

School meals are an example of a service encouraged by the war. The impact of total war in 1940 brought a change in Government policy, and it enjoined that all school children whose parents desired it should receive a school meal, payment to cover cost of food alone, in cases of necessity free meals being given as before. Thus, during the war, wartime shortages led to school meals being transformed into a general public service, rather than 'relief' for poor children only.²⁸⁰ Thus, the decision to provide school meals is an example of piecemeal policy made in response to immediate needs. From 1940, LEAs were encouraged to extend and improve the meals service by the introduction of a Government grant and by special priority in the supply of rationed and non-rationed food, premises and equipment.

However, problems over supply of buildings and equipment meant that a full school meals service was impractical. Nevertheless the number of

²⁷⁸ Harris, Neville, "Beveridge and Beyond: the Shift from Insurance to Means-testing," in Harris, Neville, ed., *Social Security Law in Context* (OUP, 2000) p.96.

²⁷⁹ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) pp.93, 97; Institute of Municipal Treasurers and Accountants, *An Investigation into the Problem of Assessment Scales* (London: Institute of Municipal Treasurers and Accountants, 1954) p.59.

²⁸⁰ Fisher, P., "History of School Meals in Great Britain," *Nutrition and Health* 4, no. 4 (1987): 189-94 p.190.

children benefiting from free or subsidised meals increased from 130,000 in July 1940 to 1,650,000 in 1945.²⁸¹ In 1942 Labour called for reforms including free school lunches²⁸², and in 1943 the Government indicated that eventually a free service would be introduced as part of the family allowance scheme.²⁸³

The 1944 *Education Act* made compulsory the provision of school meals for all primary and secondary school pupils who wanted them.²⁸⁴ Prior to the 1944 *Act*, the permissive powers already given to LEAs had led to a varied pattern of provision across the country. One of the aims of the 1944 legislation was to consolidate LEA meal provision, extending it universally and imposing on all LEAs responsibility to make such provision. But it left to the future regulations to decide if the service should be free. Initially, the Board of Education believed that free provision would become part of the family allowances cash payments scheme.²⁸⁵ However, the Treasury argued that meals at cost price could also be considered a child welfare scheme, as no profit was made. Free school dinners were postponed: when the school meals service came into operation in 1945 meals were indeed charged at cost price, with concessions for those on a low income.²⁸⁶

One of the hallmarks of the 1944 *Act* was that it clearly attempted *not* to impinge on LEA autonomy. The *Act* was constructed so that the Ministry

²⁸¹ Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) p.104.

²⁸² "Goodbye rickets, hello chips," *Times Educational Supplement*, 31 December 1999, 14.

²⁸³ Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) p.6.

²⁸⁴ Lang, Tim, *Now you see them, now you don't: a report on the fate of school meals and the loss of 300,000 jobs* (Accrington: The Lancashire School Meals Campaign, 1981) p.18.

²⁸⁵ Referring to school meals and milk the 1944 Social Insurance White Paper stated that 'These benefits in kind will be free of cost to the parents'. Quoted in Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.12.

²⁸⁶ "Goodbye rickets, hello chips," *Times Educational Supplement*, 31 December 1999, 14.

should have only a limited range of powers over local authorities.²⁸⁷ Locally determined concessions were given to those on low incomes.²⁸⁸ This led to protests from parents receiving National Assistance whose income still exceeded LEA scales for receiving free meals, who argued that they were receiving allowances in one hand and paying them out with the other. The service was funded by a 100 per cent Exchequer grant to the LEAs.²⁸⁹

4.2.2 Civil Legal Aid

The Law Society had previously promoted voluntary work as part of a lawyer's professional duty, rather than a paid scheme. They were worried about what sort of lawyers would participate in a paid scheme. But the Law Society changed its position during 1939-45. In 1945 the provision for legal aid was still the Poor Persons' Procedure. J.E. Terry set out the problems of the scheme:

The present difficulty is that the low income limits, which are almost the same as they were in 1914, are so low that many people whom they exclude are suffering hardship. To raise the income limits would only extend the queue of applicants and voluntary professional help is already inadequate to meet need.²⁹⁰

The Citizens' Advice Bureaux stepped in to meet the needs of the many people of small resources who were outside the limits of the legal aid scheme because inflation rose during the war, while the income limits

²⁸⁷ Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.28.

²⁸⁸ PRO papers reveal that in general LEA's schemes were such that parents in receipt of NA were not called upon to make any payment, but this was not always the case. (PRO AST 7/796 Unemployment Assistance Board and successors: Administration of Assistance Schemes, Registered Files)

²⁸⁹ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.190.

²⁹⁰ Terry, John E., "Appendix - Legal Aid," in Bourdillon, A.F.C., ed., *Voluntary Social Services: Their Place in the Modern State* (London: Methuen, 1945) p.307.

remained broadly the same. To meet this need a scheme came into operation whereby the CABx and provincial Law Societies acted in partnership and panels of solicitors were formed to give legal aid at reduced fees. Elsewhere the problem was met by direct contact between CABx and individual firms who were prepared to make special arrangements about fees in appropriate cases.²⁹¹

Essentially, the disorganised situation was still the same as before the war, although by 1945, lawyers were pushing for a state funded service: 'There is a limit to what private individuals can achieve and some form of statutory intervention is needed.'²⁹²

4.2.3 Conclusion

In this period welfare provision was in a state of flux, in no small part because of the exigencies of 'total war'. The promise of future welfare reform played an important propaganda role during the war. However, few major changes were actually enacted at this time. The exception is provision of school meals which was encouraged by the imposition of food rationing during the war.

4.3 1945-1951

Labour won the 1945 election. After six years of war Britain's economic position was dire.²⁹³ Lend-Lease was ended in August 1945. Britain obtained a long-term loan from the United States, and was obliged to allow sterling to become freely convertible to dollars. However, the economic boom of the immediate post-war years meant that full

²⁹¹ Terry, John E., "Appendix - Legal Aid," in Bourdillon, A.F.C., ed., *Voluntary Social Services: Their Place in the Modern State* (London: Methuen, 1945) p.310.

²⁹² Terry, John E., "Appendix - Legal Aid," in Bourdillon, A.F.C., ed., *Voluntary Social Services: Their Place in the Modern State* (London: Methuen, 1945) p.308.

²⁹³ Alford, B.W.E., *British Economic Performance, 1945-1975* (Cambridge: CUP, 1995) pp.12-13.

employment was not upset by the demobilisation of four million service personnel. With the securing of the American loan and the revival of trade and industry, the Labour government was now in a position to undertake welfare reform.

Family Allowances, enacted by the Conservatives in early 1945, were implemented in 1946 payable of the rate of 5s. per week cash to the mother for the second and each subsequent child.²⁹⁴ Family allowances were one of the three assumptions of the Beveridge Report.²⁹⁵ Beveridge had wanted to pay the allowances at full subsistence rates but, under Treasury pressure, compromised on this by excluding the first child which he justified by saying that the cost of the first child could be met out of normal family income. Beveridge estimated subsistence at 8s. per child after the first on the assumption that there would be universal provision of free school meals and milk. These aspirations, however, were not to be fulfilled as the allowances were set in 1945 at 5s.²⁹⁶

Moreover, the school meals service was made subject to a charge for all but the poorest. Thus the subsistence principle for family allowances was dropped on their introduction, and they were justified instead as a subsidy by which the community shared responsibility with parents for the raising of children.

Pensions were introduced in 1946. Maternity benefits and widow's benefits were also introduced. However the *National Insurance Act* of 1946

²⁹⁴ Glennerster, Howard, "Social Policy since the Second World War," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.12.

²⁹⁵ The others were that a comprehensive health service and full employment would also be implemented, apart from the proposals contained in the Report itself. See Harris, José, *William Beveridge: a biography* (Oxford: Clarendon Press, 1977) p.250; Cochrane, Allan, "What Sort of Safety-Net?," in Hughes, Gordon and Gail Lewis, eds., (Routledge, 1998) pp.302-303.

²⁹⁶ Harris, Neville, "Beveridge and Beyond: the Shift from Insurance to Means-testing," in Harris, Neville, ed., *Social Security Law in Context* (OUP, 2000) pp.95-96.

was the corner-stone of the new social security system.²⁹⁷ It was based on the proposals of the Beveridge Report. It brought in full coverage of the employed (only 60 per cent of the labour force were covered in the pre-war scheme) and a system of flat-rate contributions.²⁹⁸ There were immediate increases in the rates of sickness and unemployment benefits, and an increase in the period over which such payments would be made.

Two further major welfare measures followed. Firstly the NHS. Secondly, the *National Assistance Act* was also inaugurated on the 'Appointed Day' of 5 July 1948. It reconstituted the Assistance Board as the National Assistance Board and gave it the last remaining cash-giving powers of the Poor Law to provide a safety net of means-tested benefits for those whose insurance benefits were inadequate.²⁹⁹ It abolished most of the previous legislation and greatly widened the scope of the assistance which could be provided to people in need.

Britain consolidated a 'two-track' social security system with 'first-class' National Insurance benefits going primarily to the insured (that is mainly male workers) and means-tested National Assistance providing support at lower levels for those outside the regular labour market. The relationship between the two was problematic as National Assistance amounted to more than insurance benefits once rent was taken into account.³⁰⁰

²⁹⁷ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.135.

²⁹⁸ Middleton, Roger, *Government versus the Market: The growth of the public sector, economic management and British economic performance, c.1890-1979* (Cheltenham: Edward Elgar, 1996) p.375.

²⁹⁹ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.59.

³⁰⁰ Alcock, P., *Understanding Poverty*, 2nd ed. (Basingstoke: Palgrave, 1997) p.222; McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.60.

Welfare under Labour had two distinct phases. After the confidence, optimism and outstanding legislation of 1945-7, the years from 1947 marked a period of moderation and restraint. There was a series of economic and political crises in 1947.³⁰¹ The US loan upon which Britain had been dependent since 1945 to finance both welfare policy and essential imports, began to run out and was not replaced by Marshall Aid until the summer of 1948. The convertibility of sterling almost eliminated Britain's gold and dollar reserves in August 1947 and had to be suspended. Inflation began to increase at an alarming rate. In the dreadful winter of 1947 the Great Freeze and subsequent fuel crisis severely restricted power to industry and homes.³⁰² The result was declining industrial production, heavy unemployment and a balance of payments problem. As the new chancellor, Cripps' remedy was shortages and restrictions for the sake of an export drive.³⁰³ Thus began the 'Age of Austerity'.

There was division in the Cabinet.³⁰⁴ Those led by Herbert Morrison, along with Cripps and Gaitskell, supported 'consolidation' of past achievements because of the constraints of Britain's external economic situation. A minority wanted to press on with socialist reforms, such as Aneurin Bevan, the Minister of Health who oversaw the introduction of the NHS. The most renowned clash over welfare policy was that over the finance of the NHS, which started in 1949 and concluded with Bevan's resignation from the Cabinet in April 1951.

³⁰¹ Glennerster, Howard, "Social Policy since the Second World War," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.15.

³⁰² Morgan, Kenneth O., *The People's Peace: British History 1945-1990* (Oxford: Oxford University Press, 1990) pp.68-69.

³⁰³ Alford, B.W.E., *British Economic Performance, 1945-1975* (Cambridge: CUP, 1995) p.20.

³⁰⁴ Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) p.9.

The summer of 1949 saw the financial problems increase.³⁰⁵ During preparations for the 1949-50 budget, the chancellor, Cripps, argued that the limits of taxation had been reached and announced the need for a thorough review of social services expenditure. A devaluation crisis in the summer increased the need for economy. A Committee to monitor NHS expenditure continually began work.³⁰⁶ Hugh Gaitskell became a member and immediately began to call for the introduction of charges and 'hotel charges'. The existence of the committee was resented by Bevan and contributed to his increasing isolation and mistrust over the handling of NHS finance. Bevan's own inquiry into the NHS under Sir Cyril Jones concluded in July 1950 that well over half the increase in costs was inflationary and nothing to do with bad management.

The outbreak of the Korean War led to an escalating defence programme associated with the 'cold war', whilst exacerbating the existing economic problems arising from inflation and the balance of payments. By late 1950 Bevan had been moved laterally to the Ministry of Labour. Meanwhile, Gaitskell was chancellor and Bevan resented his rapid rise.³⁰⁷ Gaitskell was aware of the damaging effect rearmament would have on the British economy. Nevertheless, he accepted it on the political grounds of maintaining American support.³⁰⁸ Along with social security, health faced cuts. Gaitskell proposed a half scale fee for dentures and £1 charge per pair of spectacles as well as a one shilling prescription charge.³⁰⁹

³⁰⁵ Morgan, Kenneth O., *The People's Peace: British History 1945-1990* (Oxford: Oxford University Press, 1990) p.73.

³⁰⁶ Berridge, Virginia, *Health and Society in Britain since 1939* (Cambridge: CUP, 1999) p.25.

³⁰⁷ Morgan, Kenneth O., *The People's Peace: British History 1945-1990* (Oxford: Oxford University Press, 1990) p.100.

³⁰⁸ Morgan, Kenneth O., *The People's Peace: British History 1945-1990* (Oxford: Oxford University Press, 1990) pp.101-102.

³⁰⁹ Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) p.132.

Bevan, supported by Harold Wilson, called for reduced defence spending and threatened to resign. He thought the communist threat by Korea was exaggerated. Bevan also thought the yield from charges would be insignificant compared to administrative charges and that to maintain the popularity of the service, there had to be a commitment to it, otherwise it would become 'niggardly and unattractive'.³¹⁰ Bevan had accepted prescription charges in principle 1949, but thought that the dental and ophthalmic services had not been available to the poor before the NHS and were greatly valued parts of the service³¹¹. Only later, after his resignation he claimed that it was never his intention to allow a prescription charge to be introduced.

The financial ceiling on the NHS was raised slightly to allow the suggested prescription charge to be dropped. Gaitskell's budget speech in April 1951 announced charges for dentures and spectacles as well as a six pence increase in income tax and the raising of purchase tax from 33 per cent to 66 per cent.³¹² Bevan resigned, followed the next day by Wilson. This was an important symbolic event in the debate about social policy expenditure and the government budget, although Bevan's resignation over health charges was connected with wider disagreements concerning the rearmament programme.

By the summer of 1951 Britain faced yet another balance of payments problem. This was due to a marked increase in the cost of imports, especially from Europe, worsened by the American stock-piling of materials for rearmament, and by speculation against the pound.

³¹⁰ Webster, Charles, *The Health Services since the War. Vol. I. Problems of Health Care : The National Health Service before 1957* (London: HMSO, 1988) pp.138-139.

³¹¹ Webster, Charles, *The Health Services since the War. Vol. I. Problems of Health Care : The National Health Service before 1957* (London: HMSO, 1988) pp.143-144.

³¹² Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) p.132.

Gaitskell's budget led to rising prices and wages. Then a general election was called for October 1951.

4.3.1 School meals

The development of the school meals service after 1945 was dominated by financial considerations. The immediate post-war period saw a steady expansion of the school meals service subject to the delaying effects of labour and material shortages. Problems over equipment and building supplies continued to affect the service. The 1947 balance of payments crisis led to pressure to implement cuts in the school building programme as part of wider economy measures. The devaluation crisis of 1949 led to even more dramatic cuts and an immediate halt to any expansion of the service. All new canteen building was indefinitely postponed. The outbreak of the Korean War in 1950 deepened the crisis still further. Steel and building components were in short supply and the Treasury demanded further cutbacks. The service did not regain its momentum until well into the 1950s. School dinners were provided for about half the children at primary and secondary schools, on payment of a charge (7d.) which could be 'remitted wholly or in part in case of hardship'.³¹³ The implied subsidy provided cheap meals for all children. The variation in the facilities to provide school meals hampered supply of free food to children from low income families. Apart from occasional fluctuations caused by increased charges (such as in 1953) the annual number of dinners served had stabilised by the early 1950s just below 600 million.

4.3.2 Prescription medicines

The major change to medical provision was the introduction of the National Health Service. There was a consensus on the need for a

³¹³ National Council for Social Service, *Public Social Services: Handbook of Information on Services Provided by the State*, 9th ed. (London: NCSS, 1951) p.72.

universal service and general agreement that it should be 'free'. From the patients point of view, the main change was that GP and hospital treatment was available to everyone free. Prescription drugs were also free.

Under the NHS, there were no official limits to the amount that could be spent on drugs as there had been with the NHI Drug Fund. For administrative reasons, it was no longer possible to systematically check the cost of an individual doctor's prescriptions. Persuasion, education and advice to practitioners were used to try and control spending. Economy was encouraged by trying to make it easier to prescribe cheaper remedies. This was one of the functions of the *National Formulary* and *Prescribers' Notes*, which were issued to practitioners.³¹⁴ Nevertheless, the liberty of doctors to exercise clinical freedom meant that expenditure was fundamentally uncontrollable from the centre.

The first indication of financial problems appeared at the end of 1948. The Treasury response was to propose charges on certain items. This was initially resisted by the Cabinet on the basis of the political damage it would cause.³¹⁵

Once the Cabinet had reached agreement in principle about a prescription charge in 1949, problems arose about its administration, in particular how to protect the needy from the charges. Rather than welcoming the amelioration of charges, Bevan reacted sharply against exemptions. He wanted the Ministry of Health to have nothing to do with the adjudication of exemptions. Bevan pressed for universal charges, all exempted classes being required to re-claim their expenses via the National Assistance Board. In the end, all pensioners were to get relief,

³¹⁴ Martin, J P, *Social Aspects of Prescribing* (London: William Heinemann Ltd, 1957) p.30.

³¹⁵ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.204.

not only those in need.³¹⁶ The *National Assistance Act* was amended to give the NAB the power to deal with payments for medical purposes in cases of hardship.

Although entering the statute books in the *National Health Service (Amendment) Act 1949*, the implementation of the prescription charge did not occur until 1952. This was partly because the government wanted to delay it until after the general election, and anyway, potential revenue from the charge was falling since the exemption of old people reduced the potential revenue from £10m to £6m.³¹⁷ The agreement to charge per script rather than per item to reduce the burden on patients requiring more complicated treatment reduced the potential revenue still further. It was left to the Conservative government to bring in prescription charges and the corresponding benefits.

4.3.3 Student grants

There were in 1951 thirteen degree-giving universities in England and Wales, and five University Colleges. The Ministry of Education made various scholarships and awards from public and non-public funds. A guide to the public social services explained that: 'There is a limited number of State Scholarships awarded by the Ministry of Education for honours degree courses and all Universities and University Colleges provide exhibitions and scholarships from their own funds. Local education authorities make awards to students for a wide variety of courses, including those for university courses.'³¹⁸ Standard figures of maintenance were laid down by the Ministry of Education, which also

³¹⁶ Webster, Charles, *The Health Services since the War. Vol. I. Problems of Health Care : The National Health Service before 1957* (London: HMSO, 1988) p.144.

³¹⁷ Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992)

³¹⁸ National Council for Social Service, *Public Social Services: Handbook of Information on Services Provided by the State*, 9th ed. (London: NCSS, 1951) p.68.

decided to supplement scholarships awarded by universities up to the amount paid to state scholars.³¹⁹

The maximum value of an award was the standard figure of maintenance, plus any additional allowances, and the approved fees for tuition, registration and examinations. The value of an award for an individual student was arrived at by deducting the amount of the parental contribution, and of any other grants held, from the maximum value of the award and the amount of earnings or private income received by the student was also 'taken into account'. The amount of the award was first used to defray the fees which were paid direct to the university; the remainder of the award was paid as a maintenance grant direct to the student.³²⁰

4.3.4 Civil Legal Aid

The *Legal Aid and Advice Act 1949* was to provide legal advice or representation for applicants unable, because of limited resources, to pay for the services of the legal profession. It represented an almost complete acceptance of the views of the Law Society.

The *Act* made legal aid available in courts of law dealing with civil proceedings – legal aid (proceedings) – and also made provision for legal aid and advice in matters not involving litigation – legal aid (claims).³²¹ Legal Aid (claims) provided for the services of a solicitor in taking steps to assert or dispute a claim short of litigation, but in practice this type of legal aid was little used.³²² Its financial limits were lower than for

³¹⁹ Ministry of Education, *University Awards: The Report of the Working Party on University Awards appointed by the Minister of Education in April 1948* (London: HMSO, 1948) p.4.

³²⁰ Ministry of Education, *University Awards: The Report of the Working Party on University Awards appointed by the Minister of Education in April 1948* (London: HMSO, 1948) p.20.

³²¹ National Council for Social Service, *Public Social Services: Handbook of Information*, 12th ed. (London: NCSS, 1965) pp.172-3.

proceedings.³²³ This thesis only considers legal aid (proceedings).

Legal aid could be given in respect of proceedings in the following courts:

House of Lords, Court of Appeal, High Court, County Courts, Quarter Sessions, and Courts of Summary Jurisdiction. The *Act* made no provision for legal aid in criminal cases. Legal aid was funded by the state but administered by the Law Society. A person entitled to legal aid was generally able to choose his solicitor and barrister from panels appointed by the Area Committees. The Lord Chancellor was the minister responsible, assisted by an advisory committee.

Applications for legal aid were made to Area Committees of the Law Society and, if the Committee was satisfied with the legal merits of the applicant's case, it was referred to the appropriate office of the National Assistance Board for it to determine the financial position of the applicant. The Board's responsibilities were:

- a) To determine the applicant's disposable income and disposable capital in order to ascertain whether he or she came within the financial limits of the Legal Aid Scheme.
- b) To decide whether the applicant was entitled to free or assisted legal aid.
- c) To assess the maximum amount that the applicant could be required to pay to the Legal Aid Fund in respect of any proceedings.
- d) To issue to the Local Committee of the Law Society the determination of means in the form of a certificate.

³²² Matthews, Edwin James Thomas and Anthony Derek Maxwell Oulton, *Legal aid and advice under the Legal Aid Acts 1949 to 1964* (London: Butterworths, 1971) pp.3-4.

³²³ Willmott, Phyllis, *Consumer's Guide to the British Social Services*, 1st ed. (Harmondsworth: Penguin, 1967) p.236.

An officer of the National Assistance Board usually interviewed the applicant to satisfy himself of the 'disregards' and allowances which were appropriate to the applicant's situation.

Increasing demand for divorce was an important factor in the establishment of the legal aid scheme.³²⁴ Divorce could not be made simpler, so instead it remained an expensive high court procedure, but legal aid would pay. The Law Society wanted a full legal aid scheme partly because it was concerned that its members would find it difficult to re-establish their practices after the war. It wanted to retain the model of private practice.³²⁵

4.3.5 Conclusion

This is the period when the institutions of the 'classic' welfare state were rapidly put into place. However, after the confidence, optimism and outstanding legislation of 1945-7, the years from 1947 marked a period of moderation and restraint. School meals were originally conceived as part of the overall welfare state scheme, as were pharmaceutical benefits under the NHS. Student grants and legal aid, on the other hand, were never considered as part of the overall reforms.

4.4 1951-1964

The Conservative government of 1951 had different views on the role of state welfare from their Labour predecessors. The new government thought that those who could pay should be made to pay.³²⁶ However, they were constrained by the need to maintain electoral support.

³²⁴ Gray, Alistair M, "The Reform of Legal Aid," *Oxford Review of Economic Policy* 10, no. 1 (1994): 51-67 p.54.

³²⁵ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) pp.4-8.

³²⁶ Whiteside, N., "Creating the welfare state in Britain, 1945-1960," *Journal of Social Policy* 25, no. 1 (1996): 83-103 p.95.

On taking up office as chancellor, R.A. Butler inherited a balance of payments deficit of some £700 million. He responded with savage cuts, especially on imports.³²⁷ By 1952 the deficit had been wiped out, although this probably had more to do with the ending of the Korean War by July 1953 and a marked fall in import prices. There followed a period of economic expansion.³²⁸ Income tax was cut in 1952 and 1953. Food rationing was abolished and most wartime controls over the economy were removed in 1953-4. Defence expenditure declined as a switch was made from conventional weapons to a nuclear deterrent, so more could be spent on welfare, especially as government revenue rose as a result of economic growth after 1954.³²⁹ There was a marked rise in living standards in the 1950s. However, the economic boom led to inflationary pressures.

Iain Macleod as Minister of Health introduced prescription charges in 1952 without much public outcry. The Guillebaud Committee was set up to see what limitations could be placed on the growth of health expenditure, but its report three years later supported the findings of the earlier Sir Cyril Jones inquiry that the NHS was efficient and cost-effective and the rises in expenditure were mainly due to price inflation.³³⁰ Concern about the annual increase in the cost of the NHS did not disappear. Party political arguments over the NHS came to centre on the need for far more general hospitals (leading to the 1962 'Hospital

³²⁷ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.204.

³²⁸ Morgan, Kenneth O., *The People's Peace: British History 1945-1990* (Oxford: Oxford University Press, 1990) p.119.

³²⁹ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.4.

³³⁰ Berridge, Virginia, *Health and Society in Britain since 1939* (Cambridge: CUP, 1999) p.25; Glennerster, Howard, "Social Policy since the Second World War," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) pp.17-18.

Plan'),³³¹ on the need for more local democracy within the service, on the need to protect the taxpayer against excessive prices charged by the pharmaceutical manufacturers and on the maintenance or removal of charges for prescriptions and appliances.

In 1955 Eden became prime minister. He fretted about the cost of the welfare state, but had little interest in domestic policies. Most of his energy was absorbed by foreign affairs such as the Suez fiasco.

Harold Macmillan became prime minister in 1957. January 1958 was a turning point for his government. Sterling as an international currency had been weakened by the war and was vulnerable to currency speculators. Macmillan's instincts were expansionist and he preferred to risk higher inflation than rising unemployment. This attitude brought him into conflict with his chancellor, Peter Thorneycroft. After a generous first budget, pressure on the currency reserve developed, and the chancellor insisted on sharp deflationary measures.³³² This meant raising the interest rate, trying to bring down wage increases and cuts of £150 million in government expenditure, including the social services. For example, Thorneycroft and the Treasury proposed that family allowances be withdrawn from the second child.³³³ Macmillan was prepared for cuts of £100 million and no more, so Thorneycroft resigned in January 1958, an incident which Macmillan dismissed as 'a little local difficulty'.³³⁴

Macmillan appointed Heathcote-Amory chancellor. Amory was happy to pursue a more expansionist policy. In his 'give away' budget in the

³³¹ Glennerster, Howard, "Social Policy since the Second World War," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.18.

³³² Oppenheimer, (1970) p.135.

³³³ Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.174.

³³⁴ Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.59.

spring of 1959 Amory cut taxes and helped to precipitate an economic boom.³³⁵ Macmillan's election slogan of 1959 was: 'You've never had it so good'. Macmillan was more sympathetic than Eden to welfare policy and the traditional precedence given to economic over welfare policy was checked by Thorneycroft's resignation.³³⁶ There was no overall welfare policy, the boundaries were instead set by the limits of the Treasury's annual economy exercises. However the resignation of Thorneycroft did mark a watershed in that knee-jerk demands for cuts in services were replaced by attempts to develop a longer term strategy, such as the 'Hospital Plan'. However, Macmillan's main concern was with foreign and imperial affairs and his years were not a notable for welfare policy. The early 1960s marked a period of decline for the Conservatives as one crisis followed another. The attempt to use Keynesian policies to maintain full employment at the same time as managing the balance of payments led to so-called 'stop-go' economic policy. Amory's boom was short-lived and the economy 'overheated'. He was replaced by Selwyn Lloyd. The country faced a massive balance of payments deficit. The 1961 Sterling crisis forced government to seek a loan from the IMF. A condition of the loan was restriction of public expenditure. The ensuing economic campaign sought to restrict the rise in public expenditure to 2.5 per cent per annum, the predicted rate of economic growth.³³⁷ Lloyd responded by applying the usual monetary restraints. The 'pay pause' was a notorious attempt to deal with rising wages by freezing public sector

³³⁵ Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) pp.49-50.

³³⁶ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.170.

³³⁷ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.18.

pay.³³⁸ Although these policies did help to halt the pressure on the currency reserves they also pushed up unemployment.

After the Orpington by-election defeat, Macmillan demanded a 'new approach' which would require greater government initiative. A 'purge' followed in July 1962 in which one third of the Cabinet, was sacked and replaced by a younger generation of politicians more sympathetic to positive government action. Macmillan returned to a policy of economic expansion and in the 1963 budget there were tax cuts and other measures to stimulate growth. But there was an upsurge in imports and the policy of 'going for growth' collapsed.

The Conservative government introduced a graduated pensions scheme in 1961 (as a result of 1959 *National Insurance Act*) which offered additional benefits in return for additional contributions on incomes over £9 and under £15 a week, ending the principal of flat-rate contributions and benefits.³³⁹ The employee's flat rate had been raised several times during the late 1950s and could be increased no further without placing an intolerable burden on the lower paid. Although superficially this measure appeared to enhance the guiding role of government in welfare policy, it was actually designed to limit the financial liability of the government.³⁴⁰

No provision had been made for uprating National Assistance in the original *Act* and uprating was an erratic process.³⁴¹ In 1959 government accepted the principle that recipients of National Assistance should not

³³⁸ Oppenheimer, (1970) p.141.

³³⁹ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.62.

³⁴⁰ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.18.

³⁴¹ Bradshaw, Jonathan and Tony Lynes, *Benefit Uprating Policy and Living Standards* (Social Policy Research Unit, 1995) pp.9-11.

only be given increases commensurate with the higher cost of living but also a 'share in increasing prosperity'.³⁴² Tax allowances such as child allowances to defray the cost of parenthood were also used as a welfare measure, and were also designed partly to secure middle class support.³⁴³

After 1960 there was a general re-evaluation of the role of school meals, welfare foods and allowances in helping to provide for families. During the economy campaign of 1961 the Treasury again suggested that family allowances be withdrawn from the second child. However, this was more a strategy to put pressure on ministers to agree to changes in school meals and welfare foods programmes.³⁴⁴

An internal Party inquiry on The Future of the Social Services between 1961 and 1963 was set up. It acknowledged that existing government policy was achieving the desired ends: policies such as increases in insurance contributions towards the health service and social security and the redistributory element within the new graduated pensions scheme combined the Conservative objectives of personal responsibility, reduced taxation and compassion.³⁴⁵ However the inquiry did not halt the search for cuts in universal policies to reduce taxation and also provide much needed help to those whom welfare policy had previously overlooked, such as widows and the disabled.

Macmillan retired in October 1963. The appointment of Home as prime minister led to economic and defence issues regaining their traditional pre-eminence in place of welfare policy.

³⁴² Bradshaw, Jonathan and Tony Lynes, *Benefit Uprating Policy and Living Standards* (Social Policy Research Unit, 1995) p.14.

³⁴³ Alcock, P., *Understanding Poverty*, 2nd ed. (Basingstoke: Palgrave, 1997) p.226.

³⁴⁴ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) pp.128-129.

³⁴⁵ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.11.

4.4.1 School meals

The economic predicaments of the late 1940s caused a freeze in capital spending and it remained a low priority throughout the 1950s. In the early 1960s supervision of school meals by teachers became a major area of contention. The commitment to a free service and the universal nature of the subsidy were also questioned. In particular, the Treasury pushed repeatedly for a full economic charge (to cover administrative and food costs but not capital costs) with assistance to those on low incomes.³⁴⁶ However, as the pattern of supply and demand for school meals became established, provision became largely routine.

The pledge of free school meals for all children was quietly dropped by the mid-1950s, but school meals were still subsidised for all children. Between 1951 and 1954 pressure to charge the full economic cost of school meals was resisted. However, the Ministry of Education re-evaluated policy from 1955 with the main aim of targeting the school meals service on lower income families. The Ministry was prepared to make economies on school meals in order to get concessions for expansion in areas it considered of greater priority. The review begun in 1955 concluded that the existing system was illogical because wealthy parents were partially subsidised, and very poor parents were fully subsidised, but there were many parents in between for whom the service was unaffordable. In consequence, the take-up of school meals was greater among higher income groups, where need was least.

When the Treasury suggested at the end of 1955 a further increase in charges, Eccles proposed instead a more fundamental reform involving an examination of 'the principle of indiscriminate subsidy' and greater

³⁴⁶ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.190.

targeting.³⁴⁷ Enthusiasm waned, however, after a survey of 580 schools revealed that demand for school meals would plummet if the reform was introduced. Moreover, a nutritional investigation by the Ministry of Health suggested that children in large families would be particularly at risk if meals were not generally subsidised, so reform was rejected.

Nevertheless, given that the 1950s were a time of complacency about poverty, poverty-related educational issues were regarded as marginal.

A 1956 Report on 'the variation in the proportion of children taking school dinners at different schools and the factors contributing to these differences' found that demand was strongly affected by the distance between home and school and whether the mother went out to work.

There were also considerations of cost.³⁴⁸ Although the meal was subsidised, it could still add up to a significant charge for large families.

However, one point which was *not* emphasised in the report was the variation between LEAs on the policy for free meals.

In 1960 an interdepartmental committee of officials was set up to consider the existing provision of subsidised food 'in relation to nutrition'. A survey was undertaken of the nutritional value of school meals and milk and the Committee concluded that 'there is no clear evidence that on nutritional grounds it is necessary to retain (services) at their existing levels'.³⁴⁹ Instead they should be focused on those most in need, especially poorer families for whom school meals were still considered nutritionally essential. On this basis, the Cabinet was asked again in January 1962 to consider reforms in the charging system. By this time

³⁴⁷ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.190.

³⁴⁸ Ministry of Education. *Report of an Inquiry into the Working of the School Meals Service, 1955-56*. London: HMSO, 1956. pp.2-7. Quoted in Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.26.

³⁴⁹ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.191.

Eccles had come to oppose reform and warned of the development of a 'fish and chips alternative' to school meals. These views were upheld in Cabinet and despite the economy drive in 1961/62, the school meal charges system remained unchanged. This remained the case up to October 1964.³⁵⁰ Between 1945 and 1963, local authorities were allowed to set their own income scales for remission of school meals charges. These were replaced by national scales in May 1963.³⁵¹ On the whole though, as far as the education system displayed concern about the position of poor children, it was in relation to higher ability children from poor backgrounds in grammar schools.

4.4.2 Prescription medicines

The drug bill under the early NHS was much higher than had been anticipated. The NHS also coincided with a new era of pharmaceutical discoveries, which would have caused financial problems for the old NHI scheme too.

A charge on prescriptions of one shilling was imposed from 1 June 1952. This did not need new legislation as that had been introduced in principle by the previous government.³⁵² Medicines obtained as a hospital in-patient were still free. Problems with the administration of the exemptions scheme continued. Exemptions for the war disabled were unavoidable. But exemptions for school children did not come about, even though the Minister of Education thought they should be exempt in

³⁵⁰ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.191.

³⁵¹ Harris, Bernard, *The Health of the Schoolchild: A history of the school medical service in England and Wales* (Buckingham: Open University Press, 1995) p.196.

³⁵² Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) pp.158-159.

view of the obligation placed on education authorities to provide free treatment under the 1944 *Education Act*.³⁵³

Reflecting a general view in Whitehall, Macleod, as minister of health, remarked in 1953 that the ever-rising drug bill 'caused him more concern than any other item, including hospitals'.³⁵⁴ The charge was changed in 1956 to 1s. per item.³⁵⁵ The opposition complained that the social services were being raided to pay for the Suez expedition.

Various other methods were employed to try to limit expenditure on medicines. One of the principles laid down was that drugs advertised directly to the public should not be prescribed, on the grounds that it was desirable to help the doctor resist patient demands for specific preparations. An alternative was to restrict the drugs prescribable on the NHS excluding, in particular, expensive preparations. However, this was opposed by doctors as an infringement of clinical freedom and it was also unclear which drugs should be excluded and on what criteria.

4.4.3 Student grants

By the mid-1950s, the demand for higher education was growing faster than had been anticipated. The total number of students entering university in 1959 was estimated to be 23 thousand.³⁵⁶ The 1944 *Butler Act* led to more pupils able to complete a full secondary education and full employment created less pressure for the young to work. With the expansion of university entry, concern was expressed about the system of

³⁵³ Webster, Charles, *The Health Services since the War. Vol. I. Problems of Health Care : The National Health Service before 1957* (London: HMSO, 1988) p.191.

³⁵⁴ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.74.

³⁵⁵ Webster, Charles, *The Health Services since the War. Vol. I. Problems of Health Care : The National Health Service before 1957* (London: HMSO, 1988) p.214.

³⁵⁶ Ministry of Education and Scottish Education Department, *Grants to Students (the Anderson Report)* (London: HMSO, 1960) p.23.

state support for students which, critics claimed, was irrational and unfair. It had grown up unplanned and was based on three different types of grants paid for by the Ministry of Education and LEAs:

1. State scholarships were awarded by the Ministry to students achieving passes in two or more A-levels, and considered by their examining boards to be the best candidates. Each board was allocated a fixed number of awards in proportion to the number of examination entrants.
2. Alternatively, the scholarships were awarded as supplements to awards from the university, with allocation decided by the Ministry on the instruction of the universities.
3. LEA grants were also awarded on the basis of two or more passes at A-level, but not all students who achieved this standard qualified: LEAs were given discretion over allocation and there were variations in selection criteria between authorities.

Personal case files at the PRO reveal that questions of the interpretation of policy and procedure sometimes arose in relation to awards to individual students.³⁵⁷ The resolutions of these questions were noted as precedents. This shows how policy and procedure was built up over time.

Both state scholarships and LEA grants covered tuition fees and maintenance, but the maximum value of the award was reduced according to the private means of the student or any assistance 'which might reasonably be expected from the parent'.³⁵⁸ This latter was based on a means test. Rates of grants and contribution rates varied between

³⁵⁷ PRO ED 94 Student Awards, Personal Files.

³⁵⁸ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.188.

LEAs. LEAs in England and Wales administered awards and retained a considerable margin of discretion.³⁵⁹

The Ministry responded to the growing criticism of this system by suggesting a wholesale re-examination of existing practice. A review committee reported in May 1960.³⁶⁰ Its main recommendations were that all students who reached the necessary standard and were accepted for a university course should receive an award and that state scholarships be discontinued. However, on the continuance of the means test, the Committee could not reach agreement. The majority of the committee were in favour of the abolition of the means test together with the income tax allowance in respect of award-holders (this was expected to cost £101.5 million), but a minority preferred a large reduction in the parental contribution instead (this was expected to cost £99 million).³⁶¹

The principle of grants for all was quickly accepted by the Government. There was also reluctant agreement to the ending of state scholarships. However, lengthy debate ensued on the means test. The Treasury accepted that the existing means test was too severe but argued that abolition would be of most benefit to high income earners while a revision of its structure would favour middle income groups. The Minister for Education, D. Eccles, argued for abolition of the means test, because it was 'a serious hardship on middle class people' and incompatible with the view, especially among lower income groups, that parents were no longer responsible for the maintenance of their children

³⁵⁹ Institute of Municipal Treasurers and Accountants, *An Investigation into the Problem of Assessment Scales* (London: Institute of Municipal Treasurers and Accountants, 1954) p.36; National Union of Students, *1961 Grants Year Book: Local Education Authority Awards to Students* (London: NUS, 1961) p.1.

³⁶⁰ Ministry of Education and Scottish Education Department, *Grants to Students (the Anderson Report)* (London: HMSO, 1960).

³⁶¹ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.188.

once they had left school.³⁶² Eccles was prepared to accept alternatives to the abolition of the means test on conditions including:

1. Uniformity of LEA criteria
2. A scale of parental contribution as generous as the Committee's minority report

As a result, a compromise scheme was developed involving a slightly less expensive revision of the means test than that suggested by the minority report. A minimum grant of £50 to all award-holders, a vacation grant of £25 regardless of paid employment, and a new income scale for the means test were accepted by the government.³⁶³

It was agreed that to ensure the uniformity of grant provision, LEAs should have a duty to provide qualified students with grants. In the new system LEAs had much less discretion and there were obligatory awards. It was still administered by LEAs, though. This was the peak of the real value of the grant.³⁶⁴ The main reform of consequence made as a result of the Anderson Report was the acceptance of the principle that any student accepted for a University course should receive an award.³⁶⁵ The NUS viewed this principle as 'a major advance'.³⁶⁶

Meanwhile the Robbins Committee on Universities had been at work and reported in 1963. The whole basis of student finance was re-evaluated, as part of investigations into the long-term implications of the Robbins

³⁶² Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.188.

³⁶³ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.188.

³⁶⁴ Barr, N.A. and William Low, *Student Grants and Student Poverty* (London: Suntory-Toyota International Centre for Economics and Related Disciplines, 1988) p.1.

³⁶⁵ Or a comparable course, and who had two Advanced level passes or the equivalent.

³⁶⁶ National Union of Students, *1961 Grants Year Book: Local Education Authority Awards to Students* (London: NUS, 1961) p.1.

Report which recommended expansion in higher education. Robbins assumed that uniform mandatory grants would be available, even though the Anderson Report had been worked out on the assumption of the much smaller system as it existed in 1958.³⁶⁷ It was recognised that if the cost of Robbins was to be kept down 'either parents must pay more or the beneficiaries themselves must accept loans and repay later'.³⁶⁸ Concern was expressed about the deterrent effect of both, but if a choice were to be made, a means tested benefit system with an increase in parental contribution was seen as more immediately practical.

Under the scheme in operation from 1962 until the 1990s this is how the student grant system worked: Anyone who was ordinarily resident in the UK who was in full-time higher education studying for a first degree or equivalent was eligible. There were two forms of grant both administered by the LEA: *tuition fees* and *maintenance grant*. For the purposes of this study I was only concerned with the maintenance grant. The amount of maintenance grant awarded depended on parental income. The amounts payable varied according to where the student studied, and whether he/she lived in the parental home. As well as the basic maintenance allowance, *supplementary maintenance payments* were made for approved extra weeks of study, some disabled students, certain mature students, approved expenses for travel and equipment. In addition, the Department of Education provided a small number of state scholarships for mature students.³⁶⁹ The maintenance grant was paid in full to students who were independent i.e. aged over 25, or had maintained themselves for 3 consecutive years.

³⁶⁷ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.202.

³⁶⁸ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.189.

³⁶⁹ National Council for Social Service, *Public Social Services: Handbook of Information*, 12th ed. (London: NCSS, 1965) p.117.

Where parental income exceeded a certain amount students did not receive the full maintenance grant. In this situation parents were expected to give a *parental contribution* equal to the difference between the grant actually received and the full grant. The maintenance grant could also be reduced in respect of the student's own income. However high was parental income or the student's own income, any student who was in principle eligible for a grant was entitled to have his/her tuition fees paid and to the 'minimum grant'. The minimum grant was paid where the student and/or parent chose not to undergo assessment.

4.4.4 Civil legal aid

By the early 1960s civil legal aid was made available in the county (the lower civil court) and magistrate's court. There was a more activist approach to improving legal services in the late 1960s. A gathering movement of lawyers and academics critical of the limitations of the legal aid scheme became involved in various forms of informal advice provision.

4.4.5 Conclusion

The notion of 'consensus' has been the most influential concept for understanding the direction of post-war politics.³⁷⁰ Consensus was evident in relation to Labour and Conservative support for the Welfare State. The argument is that as a result of the wartime experience in coalition the leaders of the Labour and Conservative Parties came to adopt similar attitudes towards post-war reform, embracing the mixed

³⁷⁰ Hughes, Gordon, "Picking over the Remains'," in Hughes, Gordon and Gail Lewis, eds., (Routledge, 1998) p.22. Works which use the concept of consensus as a framework to discuss postwar politics include Kavanagh, Dennis and Peter Morris, *Consensus Politics from Attlee to Major*, 2nd ed. (Blackwell, 1994); Jones, Harriet and Michael Kandiah, eds., *The Myth of Consensus: New Views on British History, 1945-64* (Palgrave, 1996); Dutton, David, *British Politics since 1945: The Rise, Fall and Rebirth of Consensus* (Blackwell, 1997).

economy, full employment and the welfare state.³⁷¹ These policies were based on the economic ideas of J.M. Keynes and the welfare principles embodied in the Beveridge Report. The Conservatives were generally content to carry on with the welfare structure bequeathed to them. Thus these years are not noted for major changes to welfare policy. There was a move away from blanket subsidy to greater targeting of benefits in pharmaceuticals, and an unsuccessful attempt to do the same with school meals. On the other hand, the student support system was made more generous, as universities and higher education were prioritised in a bid to provide a highly-educated population.

4.5 1964-1970

In 1964 Harold Wilson became prime minister by a tiny majority. Wilson introduced some bold social legislation and then called an election in 1966 which Labour won with a working majority.³⁷² By the mid-1960s social security (national insurance plus means-tested supplementary benefits) had replaced defence as the largest single item in the budget.³⁷³

Labour retained the principle of graduation and extended it to other National Insurance benefits. Under the 1966 *National Insurance Act*, earnings-related supplements were introduced for unemployment, sickness and accident benefits and an earnings-supplement for first six

³⁷¹ Titmuss first argued that wartime experiences heightened government awareness of social welfare issues and induced social solidarity, which led to the creation of the welfare state. See Titmuss, Richard M., *Problems of Social Policy* (London: HMSO/Longmans, 1950). Addison refined the view that the war helped to forge a new political consensus in Addison, Paul, *The Road to 1945* (Cape, 1975), as did Harris, José, "Some Aspects of Social Policy in Britain during the Second World War," in Mommsen, W.S., ed., *The Emergence of the Welfare State in Britain and Germany 1850-1950* (Croon Helm, 1981).

³⁷² Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.63.

³⁷³ Middleton, Roger, *Government versus the Market: The growth of the public sector, economic management and British economic performance, c.1890-1979* (Cheltenham: Edward Elgar, 1996) p.573.

months of a widow's pension.³⁷⁴ The rationale for earnings-related supplements was complex, but part of the reason for them was to try and reduce the role of National Assistance. Another was to make it easier for employers to make workers redundant in over-staffed industries and thereby to aid industrial re-structuring. A redundancy pay scheme was also introduced.³⁷⁵

Wilson tried to tackle the newly rediscovered problem of poverty and accepted the figures that there were 6 or 7 million people at or below the poverty line:

The Beveridge insurance principle, combined with a recourse to the National Assistance Board for cases of real hardship, has not solved the problem, for the National Assistance Board operates with a stringent means test, and very many of our citizens, even those in greatest need, are too independent and too proud to go to a State organization which they (wrongly) regard as a charity.³⁷⁶

National Assistance was abolished in 1966 and replaced by Supplementary Benefit. Also in 1966 the Supplementary Benefits Commission (SBC) took over from the National Assistance Board, and became part of the newly formed Ministry of Social Security.³⁷⁷ The SBC was responsible to the new ministry, with functions similar to those of the NAB. The primary function of the Commission was to decide if claimants for supplementary benefit were entitled to it and how much they should receive. The Commission was responsible for the general

³⁷⁴ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.63.

³⁷⁵ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.229; Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.67.

³⁷⁶ Wilson, Harold, *The Relevance of British Socialism* (London: Weidenfeld and Nicolson, 1964) p.103.

³⁷⁷ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.63.

direction of the Supplementary Benefits Scheme and the award of benefits in individual cases.

Supplementary Benefit was very similar to its forebear, but some discretionary powers were curbed. The aim was to make it less stigmatising by making benefits more certain and subject to less variation. For example, long-term claimants were eligible for a higher benefit, instead of discretionary extras. The number of pensioners coming forward for Supplementary Benefit increased after the 1966 *Social Security Act*. But it is not clear how much of this was due to raising benefit levels and increasing income and capital disregards, or how much to do with at last reaching those too proud or uninformed to apply.

Despite curbs on discretion, the disputes about decision-making increased. There was also increased political controversy over means-testing at this time, illustrated by the setting up of the Child Poverty Action Group at this time. The CPAG came to be at centre of the emerging welfare rights movement, providing direct advice to claimants and disseminating information on the rules relating to means tests.³⁷⁸ The CPAG had marked success in improving access to and take-up of benefits, and in securing easier conditions for awards. They also produced a stream of pamphlets based on research aimed at policy makers focusing on one type of benefit after another. But the CPAG campaigns produced the adverse long-term effect of 'dis-jointed incrementalism': fighting the case for one specific benefit after another on narrow front meant that the benefit system grew more complicated, and benefits for one type of need got out of step with those for others.³⁷⁹

³⁷⁸ For example Child Poverty Action Group, *A Guide to National Welfare Benefits* (London: CPAG, 1970).

³⁷⁹ Jones, Kathleen, *The Making of Social Policy in Britain, 1830-1990*, 2nd ed. (London: Athlone Press, 1994) p.169.

The welfare rights movement promoted the notion of benefits as an entitlement, rather than a fall-back in cases of extreme need. They encouraged people to rely on non-subsistence benefits as a strategy to cope with poverty, especially free school meals and prescriptions. This idea is evidenced in CPAG publications, which urged people to apply for them.

The Labour governments under Harold Wilson found it impossible to abolish dependence on means-tested benefits, despite the suggestion in the 1964 Labour manifesto that it would:

‘Social security benefits - retirement and widow’s pensions, sickness and unemployment pay - have been allowed to fall below minimum levels of human need. Consequently one in four of National Insurance pensioners today are depending upon means-tested National Assistance benefits. Labour will reconstruct our social security system’.³⁸⁰

In the 1960s the value of benefits improved relative to *net* average male manual earnings, partly because of the lowering of the tax threshold. But the National Assistance Board could not be scaled down to a residual service. In fact, a government generally opposed to means testing and intent on improving insurance benefits actually extended it: there was a means tested mortgage option scheme, rate rebates were introduced for low income households and local authorities were encouraged to set up rent rebate schemes, a type of means tested assistance.³⁸¹

1967 saw a devaluation and economic problems. Britain’s international trade position was unfavourable. This led to expenditure cuts. In these circumstances no government could afford to continue to expand the

³⁸⁰ Quoted in Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.66.

³⁸¹ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.267.

social services in response to all the demands being put upon it.³⁸² The result was a fierce debate in the Labour ranks on the subject of 'universality or selectivity'.³⁸³

By 1970 the welfare state had become a mix of tax-financed universal benefits, National Insurance-financed universal benefits, tax allowances and tax-based means-tested supplementary benefits. The range of providers had expanded, and responsibility was shared between central and local government. The establishment of the unified Department of Health and Social Security (DHSS) in 1968 was meant to help co-ordinate policy.

4.5.1 School meals

The mid-1960s were the peak of the success of the school meals service as a general social service.³⁸⁴ LEAs had a duty to provide meals for children in maintained schools and the great majority of maintained schools by now had facilities for school meals. A charge of 1s. was made for school dinners, except in the case of hardship, when the cost was 'wholly or partly remitted in accordance with the parents' income and commitments.'³⁸⁵ The implied subsidy provided cheap meals for all children. The £73m subsidy to school meals in 1965-66 could be split into two components: £13m being the subsidy to free meals recipients, and £60m being the subsidy to children who took meals and paid for them.³⁸⁶

³⁸² Jones, Kathleen, *The Making of Social Policy in Britain, 1830-1990*, 2nd ed. (London: Athlone Press, 1994) p.171.

³⁸³ This debate is illustrated by the Fabian pamphlet: Townsend, Peter, Mike Reddin, and Peter Kaim-Caudle, *Social Services For All?* (London: Fabian Society, 1968).

³⁸⁴ Fisher, P., "History of School Meals in Great Britain," *Nutrition and Health* 4, no. 4 (1987): 189-94 p.191.

³⁸⁵ National Council for Social Service, *Public Social Services: Handbook of Information*, 12th ed. (London: NCSS, 1965) p.112.

³⁸⁶ Davies, B. and V. Williamson, "School Meals - Short Fall and Poverty," *Social and Economic Administration* January (1968) p.51.

In the late 1960s, non-take-up of free school meals became a national political issue.³⁸⁷ This was the era of the 'rediscovery of poverty'. Experimental campaigns by government in 1967 and 1968 showed that take-up could be increased substantially by letters addressed directly to parents and advertising.³⁸⁸ A notable increase in take-up in 1968 was due to a one-year experiment in which the fourth and subsequent children in a family received free meals irrespective of the family's net income.³⁸⁹

From the late 1960s financial retrenchment on school meals was the policy of both parties. The 100 per cent grant which subsidised school meals was withdrawn and funding only provided for free meals.³⁹⁰ So central government withdrew some of its support for the objective of provision of school meals to the largest possible number of children. Full financial responsibility for the school meals service passed to the LEAs in April 1967 and the Ministry of Education Inspectorate ceased to have a direct interest in the service. The content of meals and so on was then commented on only as part of normal school inspections. Money for the school meals was then dependent on the rates support plus parents' payments for the food.

4.5.2 Prescription medicines

The 1964 election manifesto said:

'The most serious attack on the Health Service made by Conservative Ministers has been the increasing burden of

³⁸⁷ Davies, Bleddyn, *Universality, Selectivity and Effectiveness* (London: Heinemann, 1978) p.2.

³⁸⁸ Black, Sir Douglas et al., *The Black Report*, 1992 ed. (London: Penguin, 1980) p.179.

³⁸⁹ Lynes, Tony, "The dinner money problem," *Poverty* 10 (1969).

³⁹⁰ Fisher, P., "History of School Meals in Great Britain," *Nutrition and Health* 4, no. 4 (1987): 189-94 p.191.

prescription charges imposed by them on those least able to pay. These charges will be abolished.’³⁹¹

Prescription charges were indeed abolished in February 1965, reinstating a system of universal pharmaceutical benefits. This policy was important to Wilson because he had resigned along with Bevan. However charges were reintroduced in 1968 in a package of expenditure cuts following the 1967 devaluation.³⁹² This reversal of policy was slightly softened by the introduction of exemptions for certain categories, such as the chronically sick and the elderly.³⁹³ In 1968, 49 per cent of prescriptions were exempt from charge, and a further 2 per cent were supplied free on grounds of low income.³⁹⁴

The NHS ‘stamp’ was increased by 6d. to add £25 million and was meant to ‘make good’ the £25m which the scheme of exemptions for prescription charges would cost.³⁹⁵ The reasoning behind this was strange as national insurance contributions were essentially a regressive tax, unlike income tax. The supply of contraceptives under the *Family Planning Act* was means-tested to poor families.³⁹⁶

³⁹¹ Quoted in Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.82.

³⁹² Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.262.

³⁹³ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.224.

³⁹⁴ Reply by Mr Ennals to Dr Kerr, *House of Commons Hansard* v. 722 4 November 1968, col. 458.

³⁹⁵ Owen, David, “Selectivity and the Health Service,” in Owen, David, Peter Townsend, and Brian Abel-Smith, eds., *Social Services For All? Part Four* (London: Fabian Society, 1968) p.95.

³⁹⁶ Abel-Smith, Brian, “Conclusion: the Need for Social Planning,” in Owen, David, Peter Townsend, and Brian Abel-Smith, eds., *Social Services For All? Part Four* (London: Fabian Society, 1968) p.113.

4.5.3 Student Grants

The means test for student grants was said to be less rigorous by 1968 than it was before 1962 and as a result, only 5 per cent of students found themselves in receipt of no maintenance grant at all.³⁹⁷ During the 1960s the Universities Branch of the Department of Education and Science set up a number of small committees, panels and working parties to investigate a variety of matters relating to grants and awards to students. In 1968 a committee under the chairmanship of Prof. A.J. Brown considered changes which were needed to maintain the real value of student grants in 1965.³⁹⁸ Brown recommended an increase of £40 on the main rate of grant. The Wilson government said that due to economic difficulties they were only prepared to increase the grant by £20.³⁹⁹ In 1970, during the general election campaign, Wilson announced that the other £20 which had been delayed for 2 years would be paid.⁴⁰⁰

4.5.4 Civil Legal Aid

The Law Society controlled the civil legal aid (proceedings) scheme, and was responsible to the Lord Chancellor, who was advised by an Advisory Committee.⁴⁰¹ The scheme was administered from about 13 local offices. The duties of the National Assistance Board to determine the financial position of applicants were discharged from 1968 through the newly-formed Supplementary Benefits Commission. As before, an officer of the

³⁹⁷ Jenkins, Simon and Bill Van Straubenzee, "Introduction," in Jenkins, Simon and Bill Van Straubenzee, eds., *Student Loans: Pros and Cons* (London: Conservative Political Centre, 1968) p.9.

³⁹⁸ Department of Education and Science and Scottish Education Department, *Advisory Panel on Student Maintenance Grants: A Report* (London: HMSO, 1968).

³⁹⁹ Jenkins, Simon and Bill Van Straubenzee, "Introduction," in Jenkins, Simon and Bill Van Straubenzee, eds., *Student Loans: Pros and Cons* (London: Conservative Political Centre, 1968) pp.4, 7.

⁴⁰⁰ National Union of Students, *Grants Yesterday, Today, Tomorrow?* (London: NUS, 1973).

⁴⁰¹ Abel-Smith, Brian, Michael Zander, and Rosalind Brooke, *Legal problems and the citizen: a study in three London boroughs* (London: Heinemann, 1973) p.24.

Supplementary Benefits Commission would usually interview the applicant to satisfy himself of the applicant's situation.

Legal aid expenditure increased. One influence was the rising divorce rate. In 1968 the divorce rate was 3.7 per 1000 marriages; by 1972, two years after the Divorce Reform Act 1969 came into force, it was 9.4 per 1000.⁴⁰² In 1970, the scheme was overwhelmingly concerned with the consequences of divorce and matrimonial problems. The *Legal Aid Act*, 1964, enabled payments to be made out of the Legal Aid Fund to meet the costs of successful opponents of legally-aided litigants.

4.5.5 Conclusion

In assessment of the welfare policies of the 1964-1970 Labour government, disappointment is the major theme. The government tried to do much, but was constrained by the context of low overall economic growth. This assessment also holds for their record on non-subsistence benefits in which retrenchment forced cutbacks to subsidised school meals and free pharmaceuticals for all.

4.6 1970-1979

The period 1970-1979 spans Conservative and Labour periods in power. They can be considered together because both parties were forced to reappraise social spending due to Britain's economic problems - inflation, unemployment, the falling value of the pound on foreign exchange markets, and industrial conflict.

In 1970 the Conservatives came to power. Edward Heath was prime minister and Barber became chancellor. His 1971 budget was designed to

⁴⁰² Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.8.

reflate the economy.⁴⁰³ It included tax cuts to stimulate enterprise. The first oil shock in 1973 damaged the economy. Stagnant output was coupled with high inflation, rising unemployment and a balance of payments deficit. The government sought to bring stagflation under control through the notorious statutory incomes policies.

The main legacy of this government was its experiment in extending means tested benefits to the working poor. It was part of an attempt to target benefit support at particular groups not adequately covered by past social security protection.⁴⁰⁴ The new Family Income Supplement was introduced in 1971, it created a poverty trap because of the way it interacted with national rent rebates and rent allowances introduced later.⁴⁰⁵ Rent rebates and rent allowances were themselves a move away from generalised subsidies for public tenants and rent control for private tenants towards more targeting help to individuals by way of means tests.⁴⁰⁶ They were accompanied by the expansion of means-tested support for a range of other needs such as school meals and clothing and health prescriptions and charges.⁴⁰⁷ There was a 'drift towards selectivity'. By 1976 the National Consumer Council counted 45 different means-tested schemes operating in Britain.⁴⁰⁸ Other developments were introduction of Attendance Allowance for the severely disabled, a benefit

⁴⁰³ Pearce, Malcolm and Geoffrey Stewart, *British political history 1867-1990: Democracy and decline* (London: Routledge, 1992) p.491.

⁴⁰⁴ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.64.

⁴⁰⁵ Elks, Laurie, "Can we have a simple means test?," *Poverty* 31 (1975): 23-25; Harris, Neville, "Widening Agendas: The Social Security Reviews and Reforms of 1985-8," in Harris, Neville, ed., *Social Security Law in Context* (OUP, 2000) p.115.

⁴⁰⁶ Glennerster, Howard, "Social Policy since the Second World War," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) pp.19-20.

⁴⁰⁷ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.65.

⁴⁰⁸ Alcock, Pete, "Poverty and Social Security," in Page, Robert M. and Richard Silburn, eds., *British Social Welfare in the Twentieth Century* (London: Macmillan, 1999) p.208-9.

for carers, increases in the price of school meals, and increased prescription charges.⁴⁰⁹

In 1974 Wilson formed another Labour administration. The incomes policy was replaced by the 'social contract', under which trades unions agreed to pay restraint in return for an enhanced 'social wage' through social policy spending and progressive taxation. Taxation was increased, but so were benefits and social expenditure, which soared. For example in 1975 Family Allowances and Child Tax Allowances were replaced by 'universal' Child Benefit, payable even for the first child.⁴¹⁰ But National Insurance contributions also went up as earnings-related contributions were made the basis for all insurance benefits.⁴¹¹

A turning point in British social policy was the 1976 sterling crisis in which the government had to turn to the IMF for a loan.⁴¹² The IMF insisted on severe curbs of public spending.⁴¹³ Wilson retired and was replaced by Callaghan in 1976. The Callaghan government abandoned the commitment to full employment that had been a central objective of social policy since 1944.⁴¹⁴ Instead, control of inflation became the central

⁴⁰⁹ Dean, Hartley, *Welfare Rights & Social Policy* (Prentice Hall, 2002) p.97.

⁴¹⁰ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.65. This was implemented over three years and fully in place in 1979. The combined effect of Family Allowance being taxable and the Child Tax Allowance 'claw-back' meant that the Family Allowance was worth less the higher a family's income. See Barr, Nicholas and Fiona Coulter, "Social Security: Solution or Problem?," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.280.

⁴¹¹ Barr, Nicholas and Fiona Coulter, "Social Security: Solution or Problem?," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.278. Beveridge's 'regressive' flat-rate contributions scheme had already been undermined by earlier graduated pensions legislated in 1959.

⁴¹² Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.314.

⁴¹³ Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.108.

⁴¹⁴ Glennerster, Howard, "Social Policy since the Second World War," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.12.

objective of government. Callaghan announced: 'government can no longer spend its way out of a recession'. This policy led to a split between the Labour government and the Labour Party and trades unions. As a result 1978-1979 saw the 'winter of discontent'. Public expenditure cuts were widespread, for example £280 million came off the education budget, 80 per cent of which was accounted for by reductions in spending on school milk, school meals and transport.⁴¹⁵ Although there was a recovery from 1976-1979, in 1979 the British economy was in a bad state as unemployment did not fall and inflation still averaged 13 per cent⁴¹⁶.

On social security policy, the climate changed with the appointment of Donnison as chairman of the Supplementary Benefits Commission in 1975.⁴¹⁷ He took a more active role than his predecessors. He argued for a review of the Supplementary Benefit scheme.⁴¹⁸ It showed that the use of discretionary payments had increased throughout the life of the scheme. It suggested that strengthening the rules about entitlements would both advance welfare 'rights' and stabilise costs. The government could not implement these ideas before it fell from power, but the incoming Conservatives acted on the suggestions of the review.

4.6.1 School meals

LEAs had a duty, 'as far as is reasonably practical' to provide midday meals at primary and secondary schools, and at a prescribed charge, but

⁴¹⁵ "Goodbye rickets, hello chips," *Times Educational Supplement*, 31 December 1999, 14.

⁴¹⁶ Gough, Ian, "The United Kingdom," in Pfaller, Alfred, Ian Gough, and Göran Therborn, eds., *Can the Welfare State Compete? A Comparative Study of Five Advanced Capitalist Countries* (London: Macmillan, 1991) p.103.

⁴¹⁷ Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.114.

⁴¹⁸ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.351.

with remission of the charge in the case of hardship.⁴¹⁹ The local authority carried out the assessment. The policy of the Conservative government of 1970-74 of increasing charges for school meals increased the importance of means testing, as the benefits for these became more valuable. The charge for a school meal was increased from 9 pence to 12

pence. If the parents received Supplementary Benefit, the children were automatically eligible for free school dinners. Family Income Supplement also provided a passport to free school meals, but a problem was that take-up of Family Income Supplement was itself low, and never reached much over 50 per cent of those potentially eligible.⁴²⁰ However, it did have some impact on the numbers taking free school meals.

For others, charges could be completely or partially remitted 'if weekly income after payment of rent and rates and certain other expenses is less than the national income scale set down in regulations'.⁴²¹ The arrangements for exemption from charges remained unchanged when the charge was put up, but the gross income levels for entitlement to exemption from charges was increased.

The number of meals served continued to rise to about 5 million a day in 1972. In October 1976 about 780,000 children (14.2 per cent of those taking dinners) claimed free school meals.⁴²² During the 1960s and 1970s reports and enquiries showed deficiencies in school meal provision, particularly

⁴¹⁹ National Council for Social Service and Phyllis Willmott, *Public Social Services: Handbook of Information* (London: Bedford Square Press, 1973) p.122.

⁴²⁰ Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.43. Families on Family Income Supplement should have qualified automatically, but administrative section of the Education Welfare Service did not always accept the Family Income Supplement book as proof. See Gillard, Maria, "The other side of the counter," *Poverty* 30 (1974) p.20.

⁴²¹ National Council for Social Service and Phyllis Willmott, *Public Social Services: Handbook of Information* (London: Bedford Square Press, 1973) p.123.

⁴²² Lang, Tim, *Now you see them, now you don't: a report on the fate of school meals and the loss of 300,000 jobs* (Accrington: The Lancashire School Meals Campaign, 1981) p.19.

the failure to reach all those entitled to free school meals on the grounds of low income. The CPAG regularly drew attention to the problem.⁴²³

By 1977 the cost of school meals was £547m, of which free meals accounted for £119m, and £144m was recovered in charges.⁴²⁴ In order to deal with economic troubles, the Government increased the price of school meals in 1977, and again in 1979, with the object of cutting the subsidy. The subsidy to local authorities for meals paid and free meals was reduced. This suggests a less than full commitment to the extension of free meals.⁴²⁵

4.6.2 Prescription medicines

Proposals for a graduated charge related to the cost of the drug were made in 1971 but not implemented due to administrative difficulties and the unpopularity of the idea.⁴²⁶ It was thought that it would introduce a barrier between doctor and patient. However, the price of prescriptions was increased from 12½ pence to 20 pence and there were 'improvements' in exemptions from the increased health charges.

These changes were accompanied by a major advertising campaign from April 1971. The number of people receiving free prescriptions on income grounds rose from 15,000 in 1970 to 69,000 in 1971, but fell back to 38,000

⁴²³ See, for example: "Survey Summary," *Poverty* 4 (1967): 14-17; "Free School Meals: Why Punish the Poor?," *Poverty* 9 (1968); Lynes, Tony, "The dinner money problem," *Poverty* 10 (1969); Lister, Ruth, *Take-up of Means-Tested Benefits* (London: CPAG, 1974); Field, Frank, *The stigma of free school meals* (London: 1974).

⁴²⁴ Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.47.

⁴²⁵ Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.47.

⁴²⁶ Brown, Muriel, *Introduction to Social Administration in Britain*, 6th ed. (London: Hutchinson & Co., 1985) p.72.

in 1972.⁴²⁷ However, there was no official estimate of the numbers entitled to free prescriptions.

4.6.3 Student grants

In May 1973, the government made an increase of £20 to counteract some of the effects of soaring inflation, although the NUS argued for the three-yearly review to be rejected in favour of an annual uprating.⁴²⁸ From 1977-78 tuition fees *and* the minimum grant were automatically paid.⁴²⁹ Before, higher-income parents had to contribute to fees.⁴³⁰ In 1977, the minimum grant was raised from £50 to £200.⁴³¹ The contributions payable on the parental means test at the higher-income levels were reduced to compensate parents for the loss of tax exemptions for students which came about as a result of phasing out the Child Tax Allowance and the creation of Child Benefit.⁴³²

4.6.4 Civil Legal Aid

The *Legal Aid and Advice Act 1949* was extended by the *Legal Aid and Assistance Act 1972*. Under a 1974 Act administration of Civil Legal Aid continued to be by the Law Society and the Supplementary Benefits Commission. It is this aspect of legal aid which is analysed in this thesis. However, the Act also provided for a Legal Advice and Assistance scheme, which was administered by the Law Society through solicitors,

⁴²⁷ Deacon, Alan and Jonathan Bradshaw, *Reserved For The Poor: The Means Test in British Social Policy* (Oxford: Blackwell, 1983) p.94.

⁴²⁸ National Union of Students, *Grants Yesterday, Today, Tomorrow?* (London: NUS, 1973).

⁴²⁹ Department of Education and Science, *Statistics of Education 1977*, vol. 5: Finance and Awards (London: HMSO, 1979) p.x.

⁴³⁰ About 5 per cent of students had to pay fees in 1968

⁴³¹ Rein, Martin, "Income Testing of In-Kind Transfers: Discussion," in Garfinkel, I., ed., *Income-Tested Transfer Programs: The Case For and Against* (New York: Academic Press, 1982) p.354.

⁴³² Department of Education and Science, *Statistics of Education 1977*, vol. 5: Finance and Awards (London: HMSO, 1979) p.xxv.

and in which the Supplementary Benefits Commission was not involved. Legal Aid for criminal proceedings was administered by the courts.

In 1974 the decision was taken to relate the legal aid limits to Supplementary Benefit levels.⁴³³ Claimants were required to attend a Supplementary Benefits Commission office for an interview. The Labour government introduced a dramatic increase in the financial conditions for civil legal aid just before it lost office in 1979.

4.6.5 Conclusion

There was a sense of crisis which forced governments (both Labour and Conservative) to stabilise public expenditure on social policy. There were no major changes to non-subsistence benefits, but the details of schemes of charges and means tests were altered in a bid to cut costs.

4.7 1979-1997

The period 1979 onwards can be characterised as one with a 'market individualist' way of organising welfare. The philosophy of the 1979 Conservative government was that public expenditure was forced consumption, whereas the market place provided individual choice consumption. Their aim was to bring back into public consumption some features of private provision: the only way to make people make rational choices was to start charging the consumer through his pocket rather than the taxpayer through the relatively remote system of taxation.

One of Thatcher's aims was to restore Britain's international economic competitiveness. The Conservative government was committed to rolling back the state, and, in its later terms in office, the welfare state in particular. Whether or not welfare spending actually did impede Britain's

⁴³³ Partington, Martin, *The Legal Aid Means-Tests: Time for a Reappraisal* (London: Child Poverty Action Group, 1978) p.13; 26th Report of the Lord Chancellor's Advisory Committee on Legal Aid, p.60, paras. 14-17, and Appendix C; and 27th Report p.63, para. 16

competitiveness, the government of the day believed it did, and acted in accordance to reign in the welfare state.

Unemployment rose as the government used monetary policy to curb inflation. In 1979-1981 there was the worst industrial recession in British history. Unemployment doubled. From 1981-1991 there was a sustained recovery and inflation was cut to below 5 per cent for most of the period.⁴³⁴ Thatcher wanted cost control and was prepared to accept policies which increased inequality.

Thatcher proceeded cautiously in social policy before 1987.⁴³⁵ The new free market approach was more evident in economic and industrial policy. The main threat to social policy was the general policy to reduce the scale of the public sector. The Conservatives abolished the Supplementary Benefit Commission in November, because it exerted upward pressure on spending.⁴³⁶ Other early reforms included the sale of council houses to tenants, the so-called 'right to buy' policy.

'Privatisation' was a major thread of Thatcher policies. Social policies were being devised that encouraged the intermeshing of the 'public' and 'private' in the welfare field, for instance, contracting out and making housing benefit payable to private landlords.⁴³⁷ 'Quasi-markets' were introduced, especially in education and health.⁴³⁸ Bureaucracies and

⁴³⁴ Gough, Ian, "The United Kingdom," in Pfaller, Alfred, Ian Gough, and Göran Therborn, eds., *Can the Welfare State Compete? A Comparative Study of Five Advanced Capitalist Countries* (London: Macmillan, 1991) p.104.

⁴³⁵ le Grand, Julian, "The State of Welfare," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.351.

⁴³⁶ Barr, Nicholas and Fiona Coulter, "Social Security: Solution or Problem?," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.282.

⁴³⁷ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.475.

⁴³⁸ le Grand, Julian, "The State of Welfare," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.351.

monopolies were seen as poor methods to deliver services. An ethos of customer service and choice was preferred, which was thought to result in a more sensitive service to users. As part of this drive professional control was attacked.

Various attempts were made to curb social security costs. The main changes were making conditions for eligibility for benefits more stringent, reducing their real value and 'targeting' benefits on those most in need.⁴³⁹ For example eligibility was made more stringent as certain groups were prevented from getting benefits at all, for example under 18s and students. Others such as the unemployed were more rigorously controlled to ensure they were 'actively seeking work'.⁴⁴⁰ There were changes to the uprating rules, notably for long-term benefits and pensions, so benefits only went up in line with prices, not earnings.⁴⁴¹ Child benefits were frozen for much of the 1980s. Other benefits were made taxable, which reduced their value.⁴⁴² Targeting was achieved by cuts to insurance benefits, so the earnings-related unemployment benefits introduced by Labour in the mid-1960s were abolished, and the scheme that began in the late 1970s for earnings-related supplements to the retirement pension was restricted in terms of numbers of beneficiaries and levels of benefit. Maternity and sickness insurance benefits were privatised by shifting them to the responsibility of employers.⁴⁴³ These

⁴³⁹ Barr, Nicholas and Fiona Coulter, "Social Security: Solution or Problem?," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) pp.280-281.

⁴⁴⁰ Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.127.

⁴⁴¹ Bradshaw, Jonathan and Tony Lynes, *Benefit Uprating Policy and Living Standards* (Social Policy Research Unit, 1995) p.15.

⁴⁴² E.g. unemployment benefit. See Barr, Nicholas and Fiona Coulter, "Social Security: Solution or Problem?," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) pp.280-281.

⁴⁴³ Dean, Hartley, *Welfare Rights & Social Policy* (Prentice Hall, 2002) p.83; McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.67.

piecemeal changes halted the growth of public welfare spending, but did not greatly alter its basic structures of provision.

In 1983, Secretary of State, Norman Fowler, announced a radical review of social security. The resulting report recommended a simplified means-tested system to better target benefits.⁴⁴⁴ The 1986 *Social Security Bill* replaced Supplementary Benefit with Income Support and Family Income Supplement with Family Credit. Housing Benefit was also changed to bring it into line with the other benefits and the earnings-related pension SERPS was modified.⁴⁴⁵ The effect of the 1980s reductions in National Insurance protection was to increase dependency on means tested benefits.⁴⁴⁶ By the early 1990s, 8m people were dependent on Income Support, and around a third of the population were in receipt of some form of means tested benefit.⁴⁴⁷ The Fowler reforms implemented in 1988 affirmed the displacement of insurance by assistance.

The replacement of insurance benefits with means tested benefits was taken further in the 1990s. Unemployment Benefit was replaced by Job-Seekers' Allowance in 1996, under which National Insurance entitlement was restricted to the first six months of unemployment.⁴⁴⁸ Other changes encouraged greater dependency within families. For instance, reduced

⁴⁴⁴ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) pp.67-68.

⁴⁴⁵ Alcock, P., *Understanding Poverty*, 2nd ed. (Basingstoke: Palgrave, 1997) p.220.

⁴⁴⁶ Goodman, Alissa, Paul Johnson, and Steven Webb, *Inequality in the UK* (Oxford: OUP, 1997) p.223.

⁴⁴⁷ Alcock, Pete, "Poverty and Social Security," in Page, Robert M. and Richard Silburn, eds., *British Social Welfare in the Twentieth Century* (London: Macmillan, 1999) p.211-2.

⁴⁴⁸ McKay, Stephen and Karen Rowlingson, *Social Security in Britain* (Macmillan, 1999) p.70.

rates of benefits were introduced for under-25s and 16- to 18-year-olds were excluded from unemployment benefits altogether.⁴⁴⁹

4.7.1 School Meals

In mid-1979 school meals (and school transport) were holding the centre of political debate.⁴⁵⁰ It was the 'Winter of Discontent' and cuts were to be made in school meals provision.⁴⁵¹ The election of a Conservative government brought about a shift in attitude to school meals. The ideology of public expenditure cuts and parental choice was evident in policy on school meals. The national and comprehensive nature of the service was eroded. The price, type, quality and quantity of free and paid for meals came to depend on where you lived. The principal reason for this change was to save money. By the early 1980s a universal free service for school meals was 'an idea scarcely mentioned, even by the most radical of public figures'.⁴⁵² However, one of the three recommendations of the unreleased Black Report in relation to school meals was 'that meals be provided in schools without charge.'⁴⁵³

The 1980 *Education Act* relaxed the obligation to provide school meals. It enabled LEAs to provide meals solely for those children receiving them free of charge because their family was on Family Income Supplement or Supplementary Benefit. In other words, there was no longer a duty to provide subsidised meals for all children who want them. Eligibility for

⁴⁴⁹ Alcock, Pete, "Poverty and Social Security," in Page, Robert M. and Richard Silburn, eds., *British Social Welfare in the Twentieth Century* (London: Macmillan, 1999) p.212.

⁴⁵⁰ Gibson, J.G. and E.M. Davies, "Local Authority Costs and Pricing Behaviour in the Personal Social Services - Theory and Evidence," in Gibson, J.G., ed., *Fees and Charges in the Personal Social Services* (Birmingham: Institute of Local Government Studies, University of Birmingham, 1979) p.2.

⁴⁵¹ "Goodbye rickets, hello chips," *Times Educational Supplement*, 31 December 1999, 14

⁴⁵² Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) p.6.

⁴⁵³ Black, Sir Douglas et al., *The Black Report*, 1992 ed. (London: Penguin, 1980) p.180.

free school meals on grounds of low income was at the discretion of the LEA. By 1981, 27 per cent of LEAs had decided to go no further than their statutory obligations.⁴⁵⁴ The Audit Inspectorate recommended in 1983 that authorities 'should quantify the additional cost of their discretionary provision to children, if they have not already done so'.⁴⁵⁵

Before the 1980 *Act*, there was a national charge for meals set at 35p per day. From 1980, local authorities were able to charge what they like. Prices soared quickly. The most common price for a school meal in 1981 was 50p.⁴⁵⁶ The 1980 *Act* also dropped statutory duty on LEAs to observe any nutritional standards.

Although the amount spent subsidising school meals ran into hundreds of millions of pounds, it was always a relatively small proportion of the overall education budget, 3-5 per cent.⁴⁵⁷ Chart 4-1 shows the breakdown of education expenditure for just one year, 1985-1986.

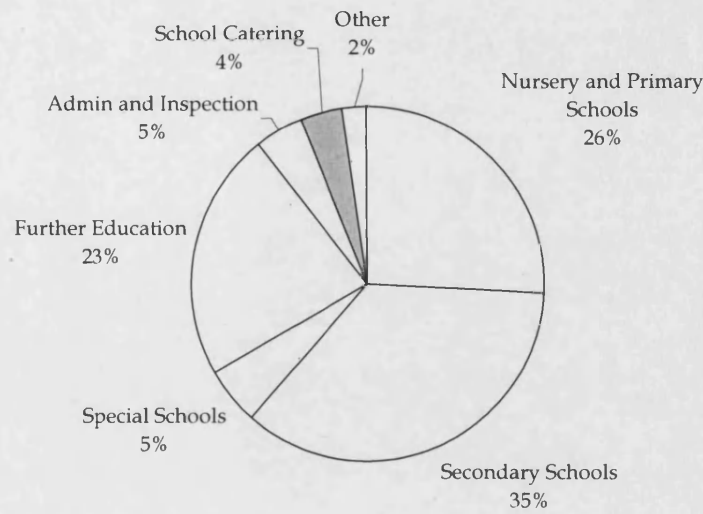
⁴⁵⁴ *House of Commons Hansard*, v. 22, 26 April 1982, col. 99. Cited in Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) p.13.

⁴⁵⁵ Department of the Environment Audit Inspectorate. *Education: School Meals*. London: HMSO, 1983. p.7. Quoted in Steven Cooper, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.67.

⁴⁵⁶ Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) p.31.

⁴⁵⁷ Blaug, Mark, "Selectivity in Education," in Blaug, Mark, H.D. Hughes, and Bleddyn Davies, eds., *Social Services For All? Part Two* (London: Fabian Society, 1968) p.32; Rose, Richard and Peter Falconer, *Individual taste or collective decision? Public policy on school meals* (Glasgow: University of Strathclyde: Centre for the Study of Public Policy, 1990) p.28.

Chart 4-1 Education expenditure, England and Wales, 1985-6



Source: Chartered Institute of Public Finance and Accountancy. *Education Statistics: 1985-1986 Actuals*. London: Chartered Institute of Public Finance and Accountancy, 1988. Table 4, p.3.

The *Social Security Bill 1986* (which came into operation in 1988) contained important changes affecting free school meals. Pre-1986, children in families receiving Supplementary Benefit and Family Income Supplement were entitled to free school meals (and milk) by law. Children in other low income families were entitled at the discretion of local authorities. The *Bill* ended free school meals except for children in families receiving Income Support. LEAs providing school meals were *required* to charge for them in all cases, except where the family was on Income Support.⁴⁵⁸ For families receiving the new Family Credit benefit, the level of cash benefit was higher to compensate for loss of free lunches.⁴⁵⁹ A notional weekly

⁴⁵⁸ McMahon, Will and Tim Marsh, *Filling the gap: Free school meals, nutrition and poverty* (London: Child Poverty Action Group, 1999) p.7.

⁴⁵⁹ Harris, Neville, "Widening Agendas: The Social Security Reviews and Reforms of 1985-8," in Harris, Neville, ed., *Social Security Law in Context* (OUP, 2000) p.124.

amount of £2.55 was added to the cash benefit.⁴⁶⁰ However, meal prices varied between one local authority and another. The extra cash was spread out over 52 weeks, not just the school term. Following the changes in April 1988 there was a drop of 400,000 to 900,000 (15 per cent) in the numbers of school children in England who qualified for free meals because their parents received Family Income Supplement, or they lost their right to free school meals under an LEA discretionary scheme.⁴⁶¹

Table 4-1 gives a breakdown of the reasons for receipt of free school meals in October 1984, before the change.

Table 4-1 Children receiving free school meals, England, October 1984

Pupils whose parents were in receipt of Supplementary Benefit	59%
Pupils whose parents were in receipt of Family Income Supplement	15%
Other pupils	26%

Source: Hansard, Written Answers, 12 December 1985, Col 703. Reproduced in Family Policy Studies Centre. *School meals and social security*. London: Family Policy Studies Centre, 1986. p.2.

In April 1992 the eligibility conditions for Income Support changed such that the hours people on Income Support could work changed from 24 to 16 a week. Some families moved off Income Support and therefore lost the right to free school meals.⁴⁶²

4.7.2 Prescription medicines

For those who paid, prescription charges soared under the Conservatives.⁴⁶³ In addition to raising charges, Fowler announced, in 1983, a 'limited list' of drugs prescribable under the NHS. The proportion

⁴⁶⁰ McMahon, Will and Tim Marsh, *Filling the gap: Free school meals, nutrition and poverty* (London: Child Poverty Action Group, 1999) p.20.

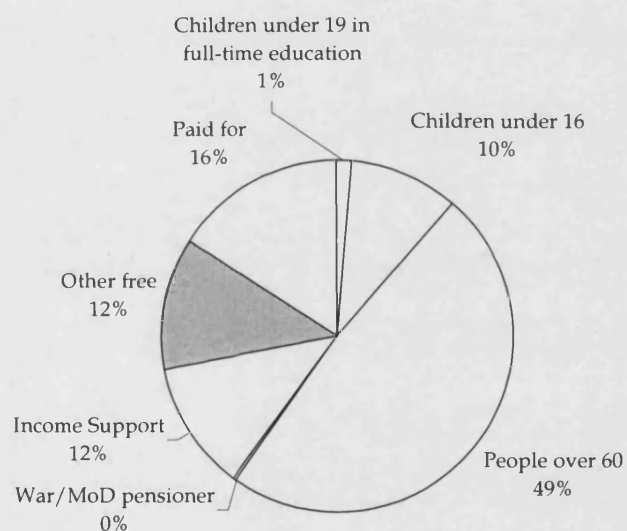
⁴⁶¹ Cole-Hamilton, Issy, Jo O'Rourke, and Sue Dibb, *School meals* (London: Child Poverty Action Group/Food Commission, 1991) p.8.

⁴⁶² Cole-Hamilton, Issy, Jo O'Rourke, and Sue Dibb, *School meals* (London: Child Poverty Action Group/Food Commission, 1991) p.5.

⁴⁶³ Prescription charges increased at 40 times the rate of inflation between 1979 and 1994. Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) p.505.

of prescription items exempt from charge on the grounds of low income was relatively low, as was the proportion of items paid for as Chart 4-2 shows. Exemption on grounds of low income is included in the category 'other reasons', which also includes maternity and medical exemptions, exemption because of receipt of Family Credit or Disability Working Allowance, and holders of pre-payment certificates. The 12 per cent of prescription items dispensed free for 'other reasons' numbered some 53 million items. Chart 4-2 shows that the size of the patient population seeking reimbursement on the grounds of low income was small relative to those exempt.

Chart 4-2 Proportion of NHS prescription items paid for and exempt from charges, 1996



Note: Until 1996 men aged 65 and over and women aged 60 and over were entitled to free NHS prescriptions. From 1996 men over 60 years of age were entitled to free NHS prescriptions.
Sources: Calculated from *The Guardian*, "Analysis: Prescription charges." 3 March 1998, 13.

4.7.3 Student grants

The numbers of students increased in the 1980s, chiefly through unplanned expansion of the polytechnics. At the same time, the value of

the grant had been allowed to fall to the point where the DES admitted that 'we would no longer maintain that the maintenance element of the mandatory award is sufficient to meet all the essential expenditure of the average student'.⁴⁶⁴ The grant system as it stood in the 1980s was unpopular.⁴⁶⁵ One reason was that an estimated 40 per cent of students received less in grant and parental contribution than they should have done according to the grant system.⁴⁶⁶ Sir Keith Joseph, then Secretary of State for Education and Science, introduced a Green Paper in 1985 and suggested that both student fees and maintenance grant should be means tested on parental income. But Tory backbenchers deserted the scheme 'once they realised the ferocity of the middle-class parents threatened with the loss of one of their perks'.⁴⁶⁷ However, with a further expansion in student numbers expected, the cost of the maintenance grant could not be sustained, even though it had repeatedly been raised by less than inflation. Therefore, in 1990 the student grant was reluctantly frozen and a top-up loan introduced.⁴⁶⁸

4.7.4 Civil Legal Aid

From 1986 to 1992 there was increasing government concern to hold down the growth in legal aid expenditure. The first major sign of a cost-reducing approach was in February 1986, when, in a 'panic measure' to

⁴⁶⁴ *The Times*, 3 December 1986, p.5. Quoted in Barr, Nicholas, "Alternative Proposals for Students Loans in the United Kingdom," in Woodhall, Maureen, ed., *Financial Support for Students: Grants, Loans or Graduate Tax?* (London: Kogan Page, 1989) p.110.

⁴⁶⁵ Lewis, Alan, Cedric Sandford, and Norman Thomson, *Grants or Loans? A survey of opinion on the finance of maintenance costs of university students* (London: IEA, 1980).

⁴⁶⁶ Figures for 1982-83. Barr, Nicholas, "Alternative Proposals for Students Loans in the United Kingdom," in Woodhall, Maureen, ed., *Financial Support for Students: Grants, Loans or Graduate Tax?* (London: Kogan Page, 1989) p.110.

⁴⁶⁷ Barr, Nicholas, *Student Loans: The Next Steps* (Aberdeen: Aberdeen University Press, 1989) p.1.

⁴⁶⁸ Timmins, Nicholas, *The Five Giants: A Biography of the Welfare State* (Fontana, 1996) pp.444-445.

keep costs down, legal aid eligibility allowances for dependents were cut by 17 per cent.⁴⁶⁹ Then, in the summer of 1986 the government announced a scrutiny of legal aid with the following terms of reference: 'Given the necessary judicial independence of the courts and existing reviews of court procedure, to consider the determinants of expenditure on the legal aid scheme by looking at its operation and administration in practice, and to make recommendations'. Its objective was to ensure that the best possible value was obtained for the resources devoted to legal aid. It represented a government-led challenge to the legal profession's dominance over legal aid.

The origins of the 1988 *Legal Aid Act* lay in the Efficiency Scrutiny of Legal Aid conducted by the government's Efficiency Unit in 1986. The centrepiece of the *Act* was the creation of the Legal Aid Board (LAB) to take over the administration of legal aid from the Law Society. In 1990 children became eligible in their own right, and the effect is that virtually all children are eligible for legal aid. In the early 1990s the government announced its intention to take serious steps to control spending on legal aid.⁴⁷⁰ Major changes to eligibility took place in 1993 as expenditure rose. A white paper, *Striking the Balance*, which sought to address this problem was put out in 1996.

4.7.5 Conclusion

The 1986 *Social Security Bill* was a firm push in the direction of greater 'selectivism'. Means-tested benefits were put at the centre of the income maintenance system. The idea of social insurance involving some sort of contract between state and citizens had gone. Insurance contributions

⁴⁶⁹ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.3. Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.21.

⁴⁷⁰ Bowles, Roger, "Reform of legal aid and the solicitors' profession," in Stephen, Frank H., ed., *Access to Justice* (Edinburgh: Edinburgh University Press, 1996) p.4.

became a type of tax. Simpler means tests were developed which worked in relative harmony with one another, at least compared to what had gone before. This is seen as a radical restructuring of the welfare state. However, it should be borne in mind that the Conservatives did not single-handedly 'kill' the Beveridge insurance scheme - it did not cater for everyone's needs because of the social changes which had taken place since the 1940s and the low level of benefits payable. Rather, the Conservatives 'buried' Beveridge.⁴⁷¹

The move towards greater selectivism is equally evident in the changes to non-subsistence benefits. The means-testing scheme of one benefit after another was tackled in an attempt to reduce eligibility.

4.8 Overview

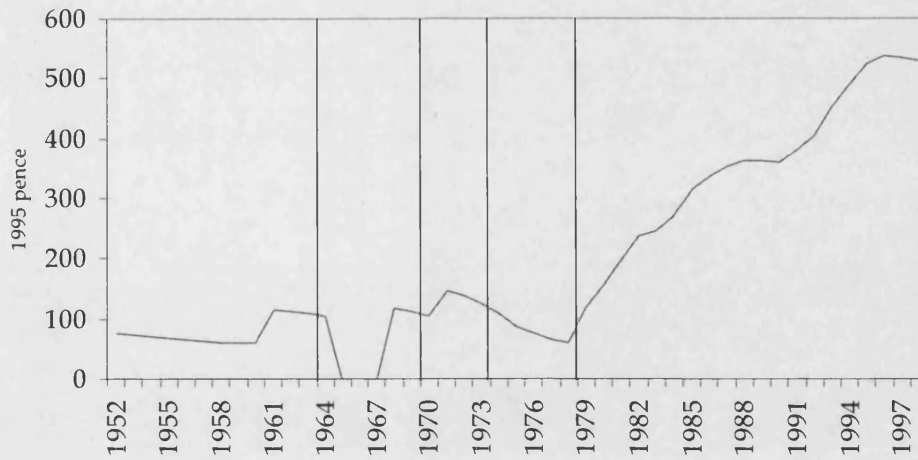
This last section uses charts to present quantitative information relating to the whole period 1930-1997. The aim is to quantify as far as possible the significance of the benefits which are the subject of this study.

4.8.1 Prescription medicines

Chart 4-3 illustrates how the price of an NHS prescription has changed over time. The vertical lines indicate years when there was a change of government. From 1965-1968, prescriptions were free to all, regardless of income. It can be seen from the chart that from 1980, the Conservative government followed a policy of steadily increasing the prescription charge. The increased price of prescription items raised the value of free prescriptions to the benefit's recipients, as the chart in section 1.3.1 showed.

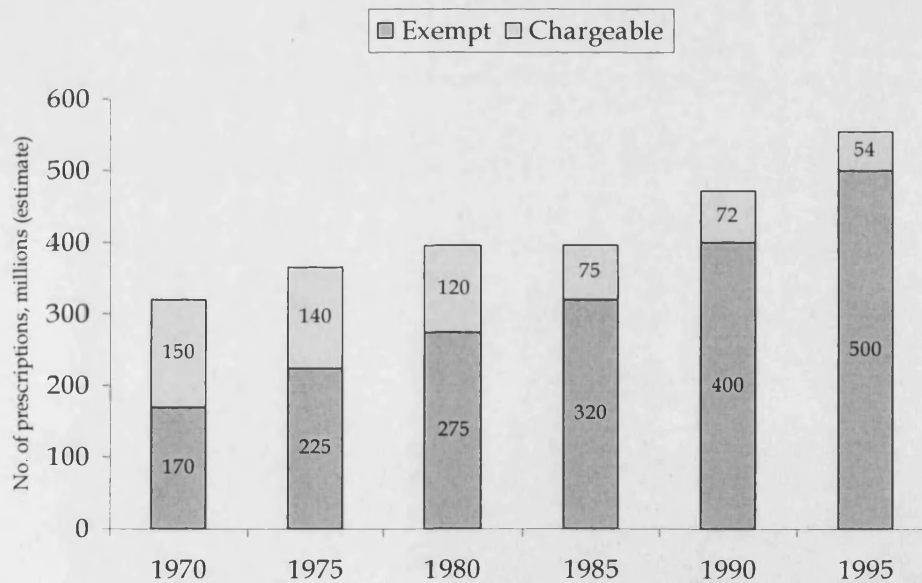
⁴⁷¹ Hill, Michael, *The Welfare State in Britain: A Political History since 1945* (Aldershot: Edward Elgar, 1993) p.161.

Chart 4-3 Real price of a NHS prescription, 1952-1998 (1995 pence)



Note: From 1 June 1952 until 1 December 1956 the prescription charge was per form. From 1 December 1956 the charge was per item. Sources: Matthewman, Jim, *Tolley's Social Security and State Benefits* (London: Tolley), Various years; Office of Health Economics, *Compendium of Health Statistics* (London: Office of Health Economics), Various years.

Chart 4-4 Number of NHS exempt and chargeable prescriptions, UK, 1970-1995



Sources: Chew, Robert, *Compendium of Health Statistics*, 9th ed. (London: Office of Health Economics, 1995) p.61; Estimate from McGuigan, Sean, *Compendium of Health Statistics*, 10th ed. (London: Office of Health Economics, 1997).

Chart 4-4 illustrates the numbers of prescriptions dispensed. The numbers of exempt prescriptions have risen and numbers of non-exempt

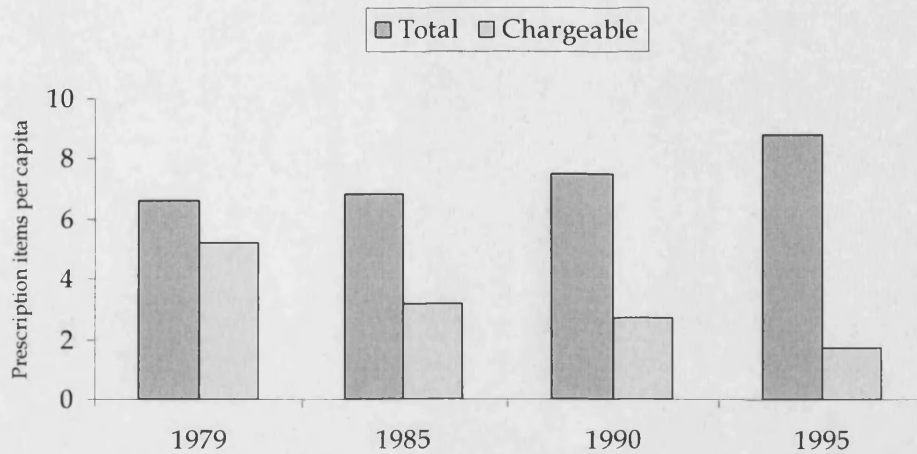
prescriptions have fallen. Exemption rates were generally higher in Wales.

The proportion of NHS prescriptions issued exempt from the prescription charge has steadily increased from about 62 per cent in 1975, to 81 per cent in 1985, to 90 per cent in 1995. This relative increase in exempt prescriptions could be because increasing prescription charges discouraged people who have to pay from seeking prescriptions. Ryan and Birch's results suggest that the charges policy followed in the NHS between 1979 and 1985 led to a significant reduction in utilisation by non-exempt patients.⁴⁷² This 'revealed behaviour' in response to increased charges means that it was, and is, important to protect those on low incomes from higher prescription charges. Further evidence of the effect of prescription charges on behaviour is the reduction in prescription items per capita dispensed to people who pay (see Chart 4-5).

On the other hand, the total number of prescriptions per capita has increased, because of the increased number of prescriptions per head given to people who do not pay, especially the elderly. As a point of comparison, in 1962 the number of prescriptions dispensed per head was 4.2.

⁴⁷² Ryan, M. and S. Birch, "Charging for Health Care: Evidence on the Utilisation of NHS Prescribed Drugs," *Social Science and Medicine* 33, no. 6 (1991): 681-7.

Chart 4-5 Prescription items per capita, England, 1979-1995



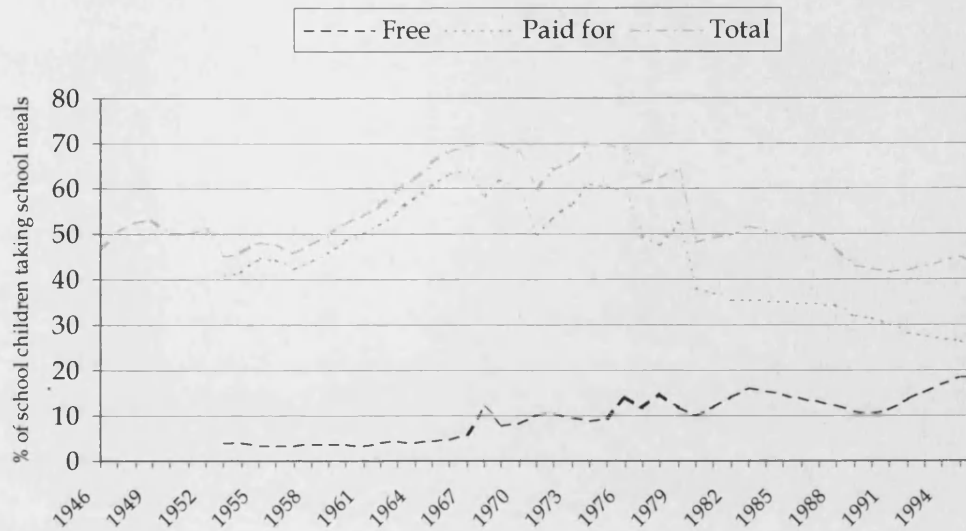
Source: McGuigan, Sean. *Compendium of Health Statistics*. 10th ed. London: Office of Health Economics, 1997.

4.8.2 School meals

A significant number of children in English and Welsh schools took school meals in the post-war period. Chart 4-6 shows that at the peaks of the popularity of the school meals service in the mid-1960s and mid-1970s, 70 per cent of school children ate school meals. Furthermore, most children ate school meals for at least one term during their school career, at least in the mid-1970s.⁴⁷³

⁴⁷³ Davies, Bledwyn, *Universality, Selectivity and Effectiveness* (London: Heinemann, 1978) p.31.

Chart 4-6 Proportion of school children taking school meals, England and Wales, 1946-1996 (%)



Sources: Chartered Institute of Public Finance and Accountancy, *Education Statistics* (London: Chartered Institute of Public Finance and Accountancy); Cole-Hamilton, Issy, Jo O'Rourke, and Sue Dibb, *School meals* (London: Child Poverty Action Group/Food Commission, 1991); Davies, Bleddyn, *Universality, Selectivity and Effectiveness* (London: Heinemann, 1978); Department of Education and Science, *Statistics of Education*, vol. 5: Finance and Awards (London: HMSO); Family Policy Studies Centre, *School meals and social security* (London: Family Policy Studies Centre, 1986); *Hansard*, 15 July 1993, Written Answers, col. 603; Harris, Bernard, *The Health of the Schoolchild: A history of the school medical service in England and Wales* (Buckingham: Open University Press, 1995).

The percentage of school children receiving free meals crept up from

1960s. A 1966 report into the school meals provision between LEAs on the policy for free meals varied considerably from area to area, and was influenced by the authorities in the award of free meals. The proportion of school children taking free meals rose after the introduction of

free school dinners in the mid-1960s. The service found substantial variations in the provision of free school meals. The proportion of free school meals varied from area to area, and so did the scales used for the provision of free school dinners.⁴⁷⁴ The proportion taken

meals regardless of income.⁴⁷⁵ The proportion of children eating free meals was higher in primary schools than secondary schools.⁴⁷⁶

There was a sharp drop in the proportion of children taking school meals after 1980, when prices went up because schools were allowed to charge whatever they wanted for school meals, and changes were made in the law to require schools to provide an area for children to eat their own packed lunches.⁴⁷⁷ Chart 4-6 illustrates how in October 1979 64 per cent or nearly 4.9m school children in England took school meals, but by October 1980 only 48 per cent (2.8m) were taking school meals. The proportion receiving free school meals fell from 11.9 per cent to 9.9 per cent.⁴⁷⁸ The drop in the proportion of school children taking free school meals in 1980 occurred because eligibility on the basis of low income was at the LEAs' discretion from this year onwards. The annual census of school meals carried out each October by the DES showed that in October 1980 more than a third of English education authorities gave free meals only to families on the passport benefits.⁴⁷⁹ Nevertheless, from 1980 to 1984 the proportion of children taking free school meals rose by 6 per cent, reflecting the economic recession and consequently the rise in the proportion of children entitled to free meals from receipt of Supplementary Benefit or Family Income Supplement. In 1985 industrial action by teachers resulted in changes in lunchtime supervision

⁴⁷⁵ Townsend, Peter, *Poverty in the United Kingdom: A survey of household resources and standards of living* (Harmondsworth: Penguin, 1979) p.861.

⁴⁷⁶ Cole-Hamilton, Issy, Jo O'Rourke, and Sue Dibb, *School meals* (London: Child Poverty Action Group/Food Commission, 1991) p.6.

⁴⁷⁷ Ivatts, J., "The Case of the School Meals Service," *Social Policy and Administration* 26, no. 3 (1992): 226-44 p.241.

⁴⁷⁸ Weir, S., "Stigma with chips," *New Society*, no. 28 January (1982) p.142.

⁴⁷⁹ Weir, S., "Stigma with chips," *New Society*, no. 28 January (1982) p.142, Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.66.

arrangements and numbers taking free meals dropped.⁴⁸⁰ Then, in 1988, free school meal entitlement was cut back.⁴⁸¹ The numbers of parents applying for free meals rose again during the early 1990s recession due to unemployment.⁴⁸² However, overall, over time, a greater proportion of school children were getting free meals.

The figures for the percentage of children getting free meals in Chart 4-6 includes those getting them by reason of receipt of Supplementary Benefit, Family Income Supplement or Income Support, as well as those getting them on the grounds of low income. From 1980, many LEAs stopped giving free school meals on the grounds of low income, so the numbers of children taking free school meals from 1980 onwards reflects closely the numbers of children in households on subsistence benefits. From 1988, LEAs were *required* to charge for school meals in all cases, except if the parents were on Income Support.⁴⁸³ An estimated 400,000 out of 1.3m children in England who hitherto had received free meals lost their entitlement by this change.⁴⁸⁴

Chart 4-7 shows how the real price of school meals changed. The vertical lines indicate years when there was a change of government. Generally, school meal charges were lower in Labour years than Conservative years. However, comparison with the nominal prices shows that falls in the real price of school meals were generated by a failure to put up the nominal price, rather than an active policy of cutting prices. Labour did put up

⁴⁸⁰ Cole-Hamilton, Issy, Jo O'Rourke, and Sue Dibb, *School meals* (London: Child Poverty Action Group/Food Commission, 1991) p.6.

⁴⁸¹ McMahon, Will and Tim Marsh, *Filling the gap: Free school meals, nutrition and poverty* (London: Child Poverty Action Group, 1999) p.7.

⁴⁸² Ivatts, J., "The Case of the School Meals Service," *Social Policy and Administration* 26, no. 3 (1992): 226-44 p.241.

⁴⁸³ McMahon, Will and Tim Marsh, *Filling the gap: Free school meals, nutrition and poverty* (London: Child Poverty Action Group, 1999) p.7.

⁴⁸⁴ Cole-Hamilton, Issy, Jo O'Rourke, and Sue Dibb, *School meals* (London: Child Poverty Action Group/Food Commission, 1991) p.8.

school meal prices in 1968, after public expenditure came under harsh scrutiny as a condition of an IMF loan. From 1971-1977 school meal prices were held down because price increases did not keep up inflation. From 1950 until 1980 the price of a school meal was fixed by the Ministry of Education. The graph shows how the price of school meals shot up after 1980 under Conservative education policies.

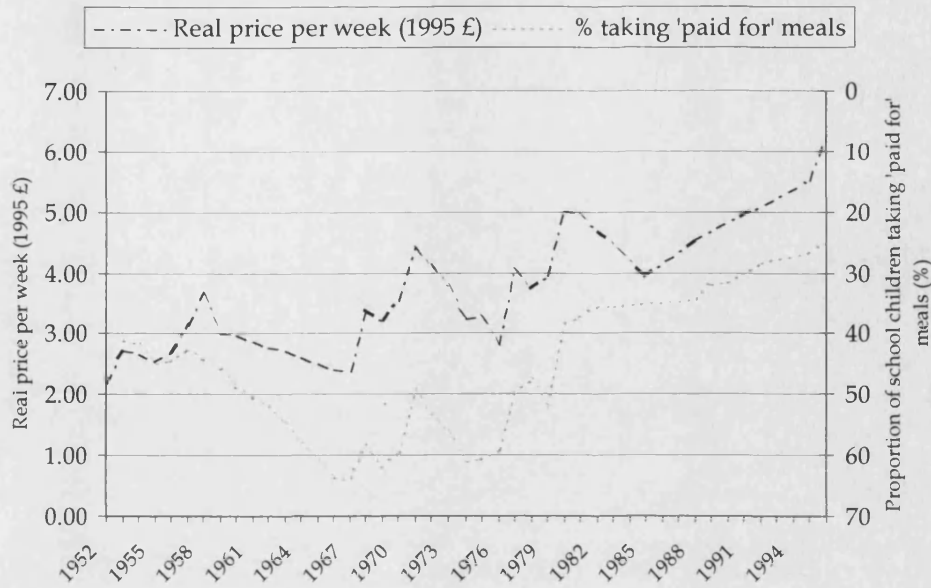
Chart 4-7 Real price of 'paid for' school meal per week, England and Wales, 1952-1995 (1995 £)



Note: The data from 1980 onwards are based on estimates of the price of a meal because no figures were published by government on the prices schools were charging. *Sources:* Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982); Bradshaw, Jonathan, "Tried and found wanting: the take-up of means-tested benefits," in Ward, Sue, ed., *DHSS in Crisis: Social Security - under pressure and under review* (London: CPAG, 1985); Davies, Bledwyn, *Universality, Selectivity and Effectiveness* (London: Heinemann, 1978) Appendix 1.1; Rose, Richard and Peter Falconer, *Individual taste or collective decision? Public policy on school meals* (Glasgow: University of Strathclyde: Centre for the Study of Public Policy, 1990); Weir, S., "Stigma with chips," *New Society*, no. 28 January (1982).

Chart 4-8 shows how fluctuations in the in the proportion of children taking *paid* meals mirrored changes in nationally determined prices.

Chart 4-8 Relationship between price of meals and proportion of children taking 'paid for' meals, England & Wales, 1952-1996

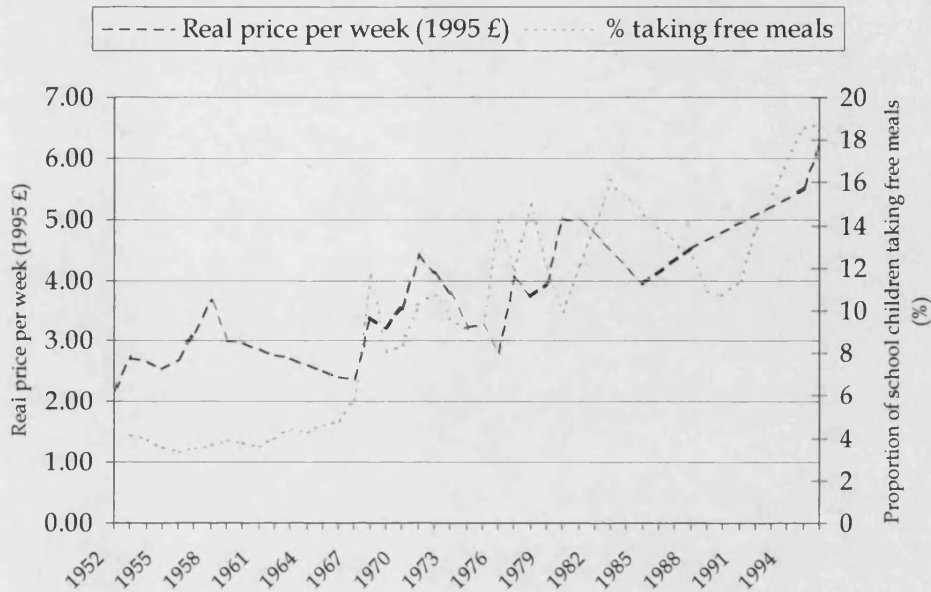


The increased price of the 'paid for' school meal raised the value of free school meals to its recipients. One would expect more parents to take-up any entitlement to free school meals their children had under these circumstances. However, Chart 4-9 shows that there is no clear relationship between proportion of children having *free* school meals and the value of the benefit. This is probably because other conditions of the benefit, such as the eligibility rules and the quality of the food offered

how many school children
als.

also played an important role in determining
could receive, or wanted to take-up, free me

Chart 4-9 Relationship between price of school meals and proportion of children taking free meals, England & Wales, 1952-1996



There was a subsidy on the price of school meals for *all* children, not just those getting free meals. Unfortunately, it is not possible to break down the total subsidy between free and paid-for meals after 1983. However, the trend away from subsidising paid-for meals is clear. In 1979 the subsidy to free school meals was over £400m (1995 prices).

Chart 4-10 Real subsidy to school meals, England and Wales, 1947-1996 (1995 £m)

Legend: - - - - Free Paid for Total

Sources: Chartered Institute of Public Finance and Accountancy, *Education Statistics* (London: Chartered Institute of Public Finance and Accountancy); Cole-Hamilton, Issy, Jo O'Rourke, and Sue Dibb, *School meals* (London: Child Poverty Action Group/Food Commission, 1991); Davies, Bleddyn, *Universality, Selectivity and Effectiveness* (London: Heinemann, 1978); Department of Education and Science, *Statistics of Education*, vol. 5: Finance and Awards (London: HMSO); *Hansard*, v. 969, 2 July 1979, Written Answers, cols. 467-472; *Hansard*, v. 81, 24 June 1985, Written Answers, col. 306; Harris, Bernard, *The Health of the Schoolchild: A history of the school medical service in England and Wales* (Buckingham: Open University Press, 1995).

Although the amount spent subsidising school meals ran into hundreds of millions of pounds, it was always a relatively small proportion of the overall education budget, 3-5 per cent.⁴⁸⁵

4.8.3 Student grants

The following chart, Chart 4-11, shows the numbers of students in receipt of student grants. From 1962, state scholarships were phased out, and administration of grants was wholly taken over by LEAs. State scholarships were prestigious, but LEA awards were always more numerous.

⁴⁸⁵ Blaug, Mark, "Selectivity in Education," in Blaug, Mark, H.D. Hughes, and Bleddyn Davies, eds., *Social Services For All? Part Two* (London: Fabian Society, 1968) p.32; Rose, Richard and Peter Falconer, *Individual taste or collective decision? Public policy on school meals* (Glasgow: University of Strathclyde: Centre for the Study of Public Policy, 1990) p.28.

Chart 4-11 Number of students in receipt of awards, England & Wales, 1950-1987



Note: From 1962, for LEAs, only mandatory awards for 'designated courses' are included. Sources: Department of Education and Science, "Student Support," *Trends in Education* 8 October (1967); Department of Education and Science, *Statistics of Education*, vol. 5: Finance and Awards (London: HMSO); Department of Education and Science, *Statistical Bulletin*.

Chart 4-12 illustrates how the value of the student grant peaked in 1962. From 1962 to 1984, there was a 'minimum grant' given to all students, regardless of parental income. The vertical lines indicate years when there was a change of government. In 1976-77 LEAs paid the full grant of

Chart 4-12 Real value of student grant, England & Wales, 1952-1996



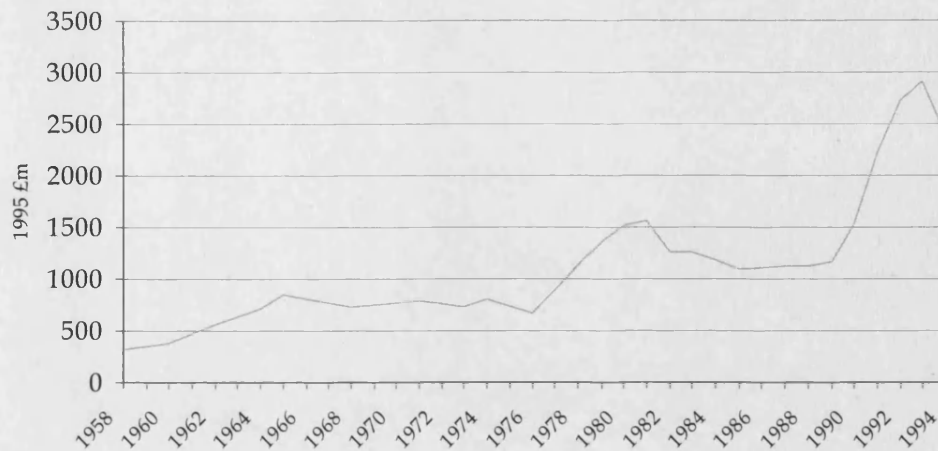
Note: Value of maximum grant not including extra allowances for travel, dependants etc.

Sources: Barr, N.A. and William Low, *Student Grants and Student Poverty* (London: Suntory-Toyota International Centre for Economics and Related Disciplines, 1988); Department of Education and Science, *Statistical Bulletin*; Department of Education and Science, *Statistics of Education*, vol. 5: Finance and Awards (London: HMSO); Hastings, Merle, *Grants for Higher Education*, 1st ed. (London: Cresset, 1964); Matthewman, Jim, *Tolley's Social Security and State Benefits* (London: Tolley); National Union of Students, *Grants Year Book and Survey of Local Education Authority Awards to Students* (London: N.U.S.); National Union of Students, *Survey of Local Education Authority Awards to Students and Grants Year Book* (London: NUIS); National Union of Students, *Grants Year Book*

Although the real value of the grant to an individual student fell from the mid-1970s onwards, total government expenditure on student grants increased (see Chart 4-13). With the expansion of the university system in the early 1990s, expenditure on undergraduate awards shot up, but then fell again once student grants as a benefit were all but withdrawn.

Even though the real value of the grant to an individual student fell from the mid-1970s onwards, total government expenditure on student grants increased (see Chart 4-13). With the expansion of the university system in the early 1990s, expenditure on undergraduate awards shot up, but then fell again once student grants as a benefit were all but withdrawn.

Chart 4-13 Real central and local government expenditure on undergraduate awards, England & Wales, 1958-1994

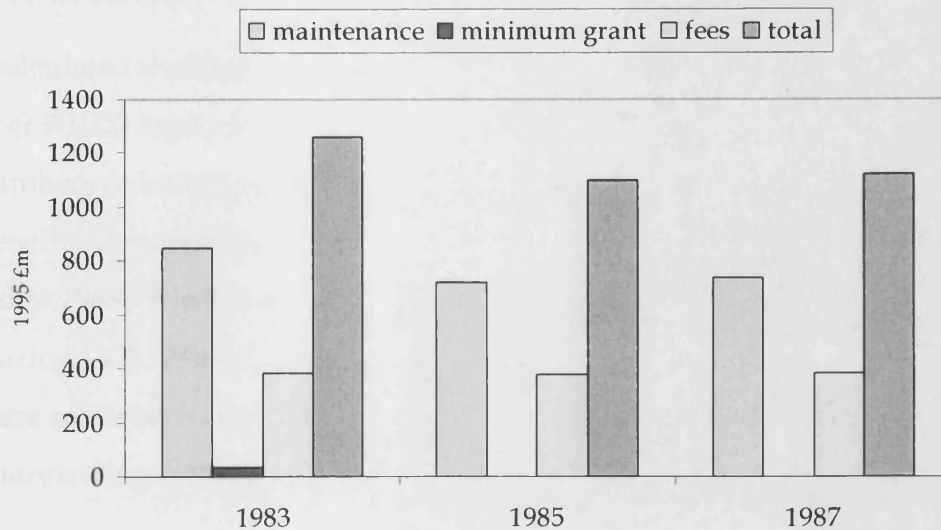


Note: From 1962, for LEAs, only mandatory awards for 'designated courses' are included. *Sources:* Department for Education, *Statistical Bulletin*; Department of Education and Science, *Statistical Bulletin*; Department of Education and Science, *Statistics of Education*, vol. 5: Finance and Awards (London: HMSO).

The total cost of student maintenance (not fees) in 1968-9 was approx. £900m (universities and non-university sector i.e. universities, colleges of education and technology, including post-graduates). This was 14 per cent of the cost of higher education as a whole, and equivalent to 5 per cent of national expenditure on education.⁴⁸⁹ Chart 4-14 shows a breakdown of how much expenditure went to maintenance, the minimum award and payment of university fees, respectively.

⁴⁸⁹ Jenkins, Simon and Bill Van Straubenzee, "Introduction," in Jenkins, Simon and Bill Van Straubenzee, eds., *Student Loans: Pros and Cons* (London: Conservative Political Centre, 1968) pp.6-9.

Chart 4-14 Central and local government expenditure on mandatory undergraduate awards, England & Wales



Sources: Department of Education and Science, *Statistical Bulletin*.

4.8.4 Civil legal aid

Referring to 1970, S. Pollock estimated that: 'The expenditure on legal aid has consistently run at about 0.001 per cent of the cost of the social services'.⁴⁹⁰ In 1976-1977 £33m was spent on legal aid, and £4m recovered in contributions (13 per cent). About one-third of all contributions paid were ultimately returned to assisted litigants. For personal injury, it was as high as 77 per cent.⁴⁹¹

In the financial year 1955/6, the Exchequer Grant towards legal aid was £1,375,000.⁴⁹² The increase in expenditure on legal aid from 1983-84 to

⁴⁹⁰ Pollock, Seton, *Legal Aid: The First 25 Years* (London: Oyez Publishing, 1975) p.86.

⁴⁹¹ Partington, Martin, *The Legal Aid Means-Tests: Time for a Reappraisal* (London: Child Poverty Action Group, 1978) p.15.

⁴⁹² Benenson, Peter James Henry, *The Future of Legal Aid* (London: Fabian Society, 1957) p.24.

1993-94 was from £74m to £544m.⁴⁹³ In 1995-96 expenditure on civil legal aid was £675m.⁴⁹⁴

I calculated that based on the figures given by Abel-Smith and Stevens, over 90,000 legal aid certificates were granted in the year 1963-4.⁴⁹⁵ As for numbers of investigations of means carried out, the Supplementary Benefits Commission (SBC) made nearly 170,000 investigations for legal aid in 1968.⁴⁹⁶ In 1969/70 144,000 persons were granted legal aid.⁴⁹⁷ During 1979, 289,491 applications for civil legal aid (including Scotland) were received by the SBC.⁴⁹⁸ £2m was spent in 1978 by the SBC interviewing claimants and checking their eligibility.⁴⁹⁹

Legal aid was a minor source of income for the legal profession in 1970, but by the mid-1970s it made a significant contribution. Legal aid was 7 per cent of the fees of solicitors in 1975-76 and 11 per cent in 1985-86.⁵⁰⁰ This proportion had risen to 12 per cent by 1990/91.

In the early 1990s 11,000 solicitors' offices were recorded as receiving a legal aid payment in any one year. The Law Society estimated that this represented a payment to 74 per cent of all offices, which indicates that a

⁴⁹³ Gray, Alistair, Paul Fenn, and Neil Rickman, "Monitoring legal aid: Back to first principals?," in Stephen, Frank H., ed., *Access to Justice* (Edinburgh: Edinburgh University Press, 1996) p.24.

⁴⁹⁴ Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.22.

⁴⁹⁵ Calculated from Abel-Smith, Brian and R. B. Stevens, *Lawyers and the Courts: A Sociological Study of the English Legal System, 1750-1965* (London: Heinemann, 1967) pp.344-5.

⁴⁹⁶ Child Poverty Action Group, *A Policy to Establish the Legal Rights of Low Income Families* (London: CPAG, 1969) p.6; Brooke, Rosalind, *A policy to establish the legal rights of low income families: legal aid and advice* (London: Child Poverty Action Group, 1969) p.6.

⁴⁹⁷ The Attorney-General, *House of Commons Hansard*, v. 822, 5 August 1971, Written Answers, col. 468.

⁴⁹⁸ Supplementary Benefits Commission, *Annual Report of the Supplementary Benefits Commission* (London: HMSO, 1980) p.155.

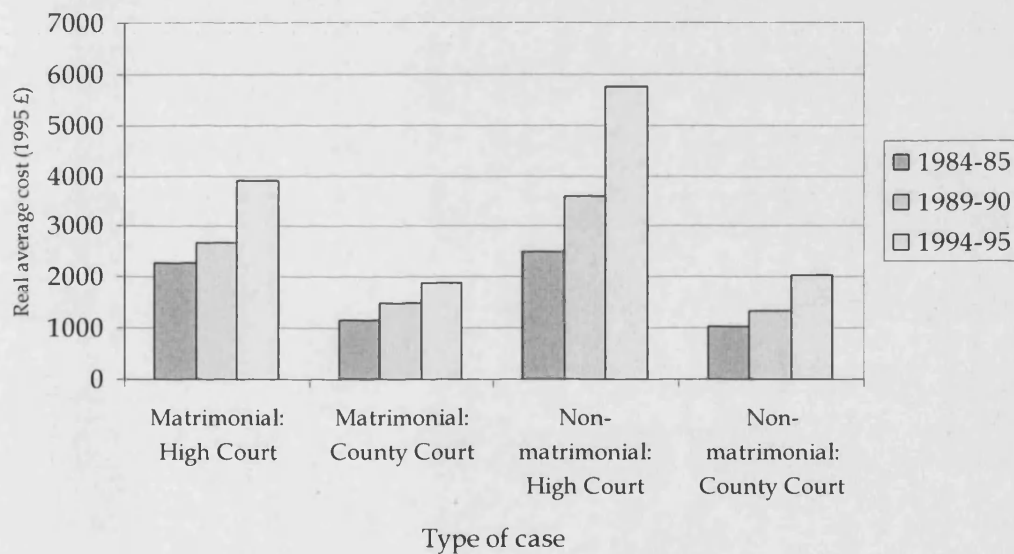
⁴⁹⁹ Partington, Martin, *The Legal Aid Means-Tests: Time for a Reappraisal* (London: Child Poverty Action Group, 1978) p.19.

⁵⁰⁰ Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.17.

broad range of solicitor's practices were involved in the legal aid scheme.⁵⁰¹ Barristers were even more dependent on legal aid. In 1989 legal aid accounted for 27% for the total fee income of all barristers. A similar proportion was reported to the Royal Commission for Legal Services in 1977.⁵⁰²

Between 1973-74 and 1996-97 the percentage of certificates where the assisted person was assessed for no contribution rose from 78 per cent to 85 per cent. This suggests that civil legal aid was increasingly used by those with the lowest levels of income, rather than those who were a bit better off.⁵⁰³

Chart 4-15 Real average cost of cases brought with civil legal aid, England & Wales, 1984/5-1994/5



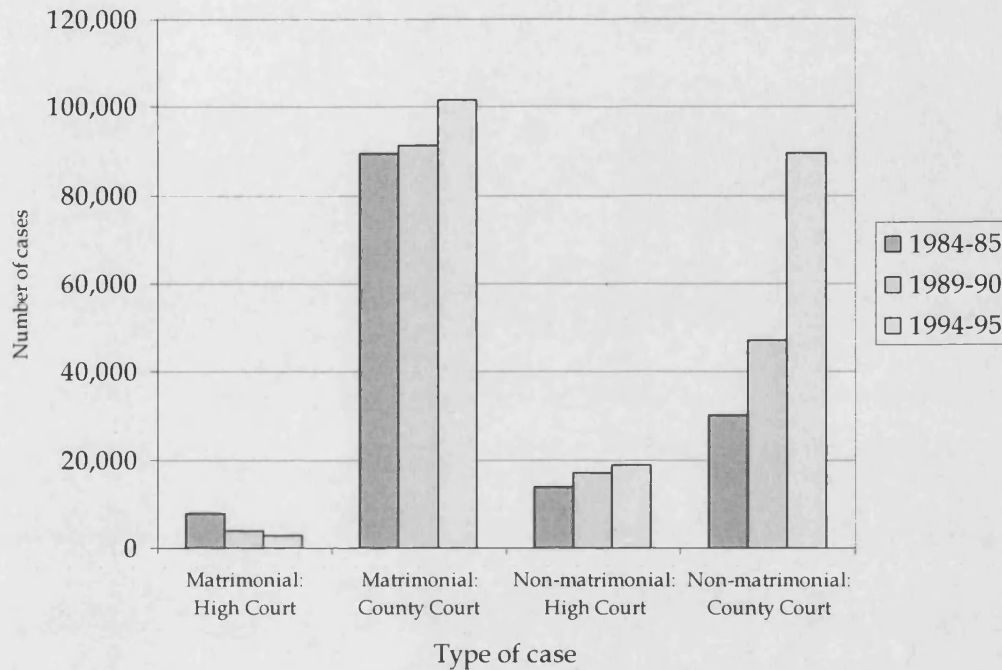
Sources: Calculated from Legal Aid Board, *Annual Report 1994-95* (London: HMSO), Tables Civil 13 & 14. Reproduced in Bowles, Roger, "Reform of legal aid and the solicitors' profession," in Stephen, Frank H., ed., *Access to Justice* (Edinburgh: Edinburgh University Press, 1996).

⁵⁰¹ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.17.

⁵⁰² Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.17; Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.38.

⁵⁰³ Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.24.

Chart 4-16 Number of cases brought with civil legal aid, England & Wales, 1984/5-1994/5



Source: Calculated from Legal Aid Board. *Annual Report 1994-95*. London: HMSO. Tables Civil 13 & 14. Reproduced in Bowles, Roger. "Reform of legal aid and the solicitors' profession." In *Access to Justice*, edited by Frank H. Stephen. Edinburgh: Edinburgh University Press, 1996.

4.9 The (non)importance of party politics

This chapter was structured around the different parties in government. However, the shade of government has made relatively little impact on non-subsistence benefits. Party competition was not particularly important for explaining change in non-subsistence benefits. Economic events were more important, particularly the size of the overall budget. The main influence on changes to existing means tested benefits has been the pressure to cut costs, as part of a bid to slash overall budgets. In some ways, the watershed of before and after 1975 is more important than party politics because after that the mood turned and there was less reluctance to make cuts.

The non-subsistence benefits have been changed in response to day-to-day pressures, rather than to a co-ordinated plan. These means tested schemes have been altered at different times, which explains some of the divergence in the operation of their means tests. Only school meals were consistently regarded as integrated with social security benefits.

Pharmaceutical benefits were only briefly part of an overall scheme to provide free medical care. The story of the other non-subsistence benefits is barely related to that of the main welfare state structures. They are an afterthought to the welfare state. Although overall pressure to reduce costs is a common factor in provoking changes to the means tested schemes, which particular benefit came under attack for cuts depended on other factors and priorities at the time. Charges, contributions and means tested services have been introduced, abandoned, amended or extended in a series of ad hoc bargains between the interested parties.

5 The objectives of means-tested benefits

In a broad sense, the objective of means testing is to provide for those in greatest need at least cost to the rest, to do 'the greatest good for the greatest number'. The general arguments for and against means testing are considered in Chapter 3. This chapter assumes that the alternative to providing a means tested benefit is to provide no benefit at all.

Means-tested benefits exist as a device to resolve the uneasy balance between assisting the needy whilst excluding as many people as possible in order to keep the costs reasonable. But, as this chapter shows, the objectives of the non-subsistence benefits system can be 'unpacked' further.

This chapter traces the specific purpose of four non-subsistence benefits throughout their history: free school meals, free pharmaceuticals, student grants and civil legal aid. Looking at the problem which means-tested benefits were meant to resolve can help to form a balanced view of the record of these benefits and the implications for future policy proposals.

Why provide a means tested benefit? Politicians, civil servants, interest groups, 'experts', professionals and potential claimants may have had different ideas about what the objective of the means test was. The ways these various groups have analysed these benefits and their criteria for analysis reveals what they thought were the objectives. It is not possible to analyse what 'the general public' thought the intention of the means tested benefit was: there is no such homogeneous grouping. This section focuses on the internal politics of social policy - the relation between politicians, administrators and pressure groups. 'Politics' makes a difference, but not always in the way one might expect from superficial consideration of each side's arguments.

One cannot assume that the only motivation for a means-tested benefit was to 'reach the most needy', and only the most needy, as defined by

income status. An alternative motivation may have been the protection of accustomed living standards to ensure that no one had to face an unexpected and unacceptably large drop in their standard of living.⁵⁰⁴ Eligibility extending high up the income scale and generous disregards against income would be suggestive of a scheme aimed at protecting living standards. An example is the means-tested student maintenance grant.

Another aim of means testing has been to raise revenue or deter 'abuse' of a publicly provided service, by making the introduction of charges politically acceptable. The means tested benefits considered in this thesis are for remission of charges usually made for a service, either by a public or private body. Means tests were introduced in an attempt to ensure that poor people did not suffer too harshly from policies to reduce general subsidies to services. In such instances, means tested benefits appear a grudging measure to make provision for low income families without trying too hard. For example, take-up depends on the initiative of the recipient.

This occurred when NHS prescription charges were introduced in 1952. The NHS had found that in a universal scheme, the only weapon to limit expenditure was by restricting use. A way to restrict demand is to impose charges. The imposition of a prescription charge conforms to the economic principle of reducing demand by increasing price, and where there is a charge for a service, means testing as a way to protect the poor is important. Thus, the means test is incidental to the existence of a charge.

⁵⁰⁴ Barr, Nicholas and Fiona Coulter, "Social Security: Solution or Problem?," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.275; Spicker, Paul, *Poverty and Social Security: Concepts and Principles* (Routledge, 1993) p.108.

I propose that a charge for a publicly-provided service may be made:⁵⁰⁵

- i) To raise money to support the service, especially if it is difficult to raise the general level of taxation.⁵⁰⁶
- ii) To foster economy in the use of the service. However, this may deter the poor from using the service.
- iii) Because it lends itself to variation by income through means testing and therefore the possibility of securing other objectives such as income redistribution.

Prescription charges and school meal charges were charged for reasons (i) and (ii). In other words for reasons to do with restraining government expenditure and getting taxpayer support by making charges and deterring take-up. Student maintenance and legal services are privately provided, and therefore charging was, on the whole, taken for granted.

The means-tests applied to non-subsistence benefits have as one of their objectives to 'ensure access to the relevant service'. But they can also have

⁵⁰⁵ In order to clarify my analysis, I have developed my own three definitions of the reasons for charging because there is no generally used classification of the reasons for charging in the social policy literature. Other writers define the reasons differently to those I have listed. Willis, C. Y. and C. Leighton, "Protecting the Poor Under Cost Recovery - the Role of Means Testing," *Health Policy and Planning* 10, no. 3 (1995): 241-256 cite fee collection and equity goals. Mason, P., "The Charging Debate: no means tested charge on principle, or accept the means tested charge and argue for a fair and reasonable level?," *Disability & Society* 14, no. 2 (1999): 263-267 refers charges to raise income and charges to restrict demand. May, J.S., "Charging for Home Help," in Gibson, J.G., ed., *Fees and Charges in the Personal Social Services* (Birmingham: Institute of Local Government Studies, University of Birmingham, 1979) focuses on charges as a rationing device, but implicitly refers to its redistributive aspects. Gasson, D.M., "Fees and Charges in the Personal Social Services," in Gibson, J.G., ed., *Fees and Charges in the Personal Social Services* (Birmingham: Institute of Local Government Studies, University of Birmingham, 1979) proposes that charges reduce the taxpayers' burden, discourage wasteful demands on the service and redistribute, but also proposes that charges may be made to avoid stigma to recipients and promote self-reliance. Burns, Eveline M., "Income Testing of In-Kind Transfers: Discussion," in Garfinkel, I., ed., *Income-Tested Transfer Programs: The Case For and Against* (New York: Academic Press, 1982) p.345 distinguishes fostering economy and deterring use of the service as two separate reasons for making a charge.

⁵⁰⁶ Mason, P., "The Charging Debate: no means tested charge on principle, or accept the means tested charge and argue for a fair and reasonable level?," *Disability & Society* 14, no. 2 (1999): 263-267 p.265 points out if charges are levied to raise revenue, that effectively means that one group of service users is subsidising other users of the service who are less well-off. Perceptions of whether this is fair will depend on the characteristics of service users and the nature of the service.

various other objectives. I propose that these objectives can be classified as follows:⁵⁰⁷

- 1) Means tests can be used to redistribute between rich and poor, between those with and those without children.
- 2) A less ambitious aim than redistribution is that where there is a charge for a service, means testing ensures access to certain goods or services thought necessary for a purposeful life are fulfilled. Access to goods or services fulfils the aim of social inclusion for the individual. However, means tests can aim to ensure access for the poor, or they can aim to support both the non-poor and the poor. In other words, 'ensuring access to the service' can be carried out with varying degrees of enthusiasm.
- 3) Means tests can influence people's expenditure patterns: a means-tested charge can be introduced with the aim of actively encouraging consumption of the service.
- 4) On the other hand, if you want to reduce the consumption of a service, then you can introduce a means-tested charge with the

⁵⁰⁷ In order to clarify my analysis, I have developed my own five definitions of the objectives of means tested benefits because there is no generally used classification of the objectives of means tested benefits in the social policy literature. Other writers consider different objectives to those I have listed. Ford, P, *Incomes, means tests and personal responsibility* (London: P.S. King and son, Ltd., 1939) p.15 distinguished the income maintenance objective from when the benefit 'tries to relieve the family of some detailed item of expense'. He also refers to the redistributive effects of means tested benefits. Rein, Martin, "Income Testing of In-Kind Transfers: Discussion," in Garfinkel, I., ed., *Income-Tested Transfer Programs: The Case For and Against* (New York: Academic Press, 1982) distinguishes compensation for misfortune from reduction of distribution inequalities. Northrop, E. M., "Public-Assistance and Antipoverty Programs or Why Haven't Means-Tested Programs Been More Successful At Reducing Poverty?," *Journal of Economic Issues* 25, no. 4 (1991): 1017-1027 suggests that 'assistance' and 'anti-poverty' is a helpful distinction to make when evaluating means tested benefits. Gasson, D.M., "Fees and Charges in the Personal Social Services," in Gibson, J.G., ed., *Fees and Charges in the Personal Social Services* (Birmingham: Institute of Local Government Studies, University of Birmingham, 1979) p.46 identified two functions of charging policies, which I also find to be possible objectives of means tested benefits. Some of the objectives I have generalised from my observations of objectives specific to individual benefits.

primary aim of restricting eligibility (i.e. rationing), rather than ensuring that the needy were protected. This argument was made strongly by R. Titmuss: 'The fundamental objective of all such tests of eligibility is to keep people out; not to let them in'.⁵⁰⁸

- 5) A distinction can also be made between 'assistance', and 'anti-poverty' measures. Assistance benefits aim to ease the conditions of people in poverty.
- 6) Anti-poverty schemes aim to prevent poverty (or get them off subsistence benefits), generally by investment in their human capital so that they can find work. Anti-poverty measures would be expected to support both the non-poor and the poor in order to achieve their aim. In the UK, people move out of poverty more than we thought before.⁵⁰⁹ This has implications for social policy, which could act to stop people dropping back into poverty, protecting those people just above the poverty line, as well as the poor.
- 7) Means tests can be used to ensure that no-one has to experience a sudden drop in living standards if their circumstances change, including those with average or above-average incomes.
- 8) Externality arguments, which refer to gains that accrue to society in general rather than to the individual recipient, can also be used to defend the existence of means-tested benefits (as opposed to no benefits) on the basis that they promote social cohesion.

It is difficult to argue for non-subsistence benefits that they aimed to shame recipients into improving their own situation by stigmatising them. The only one of the four benefits of this study for which there is

⁵⁰⁸ Titmuss, R.M., "Welfare State and Welfare Society," in Butterworth, Eric and Robert Holman, eds., *Social Welfare in Modern Britain* (Fontana / Collins, 1975), 25-37 p.36.

⁵⁰⁹ See, for example Noble, Michael and George Smith, "Two nations? Changing patterns of income and wealth in two contrasting areas," in Hills, John, ed., *New Inequalities* (Cambridge: Cambridge University Press, 1996) pp.300-303.

strong evidence of stigma is free school meals. Since the potential for humiliation of children receiving free school meals depended on the procedures used at a particular school, over which the central government had little control, there is no evidence that stigmatisation was a policy aim.⁵¹⁰ On the other hand, giving cash instead of meals in-kind to Family Credit recipients could suggest a desire to make Family Credit more attractive than Income Support – it depends on whether eating school meals felt like a bonus or a punishment!

This chapter looks at how these objectives came into play with the non-subsistence benefits of this study, with an analysis of how objectives changed over time. This chapter answers the question ‘was the policy objective of means testing to enable both the poor and non-poor to receive the service?’ The sources of evidence for this chapter are the principles are described in the legislation itself. Government papers available at the PRO were another source, and references to secondary sources were also used. Finally, in the concluding section, the debates about the objectives of these benefits are located in the context of the objectives of subsistence benefits and the general objectives of the welfare state.

5.1 Prescription medicines

A means tested benefit is a way to protect the poor from a charge and, accordingly, pharmaceutical benefits were incidental to the introduction of a charge for prescription medicines. Debate about access to prescription medicines was dominated by the issue of imposing a charge at all.

⁵¹⁰ For example, on 4 November 1968, the Secretary of State for Education and Science said: ‘We have asked local authorities to do all in their power to avoid embarrassment to children’. *House of Commons Hansard v. 722*, 4 November 1968, col. 486.

The introduction of a charge for prescription medicines was highly controversial, as described in section 4.3.⁵¹¹ It was introduced to restrict patient demand for prescription medicines and as a check on abuse of the NHS. For instance, it was to stop people from getting aspirin and plasters. Bevan accepted prescription charges, as he conceded prescriptions were open to abuse and he referred to the questionable value of the 'ceaseless cascade of medicines pouring down British throats'.⁵¹² How much the prescription charge in fact influenced demand was dependent on patient attitudes, a subject about which little is known: a charge may penalise the sick, while doing little to discourage the hypochondriac.

In practice, the granting of low income exemptions to protect the poor was used within government as a way to get agreement to the introduction of a charge. For the same reason, there were exemptions based on status, as well as on income, for example the exemption of the war disabled. The granting of exemptions for old age pensioners and the war disabled gained the support of the Minister of Pensions for the charges. The government stated in 1968 the objective: 'We have exempted those most likely to suffer hardship through paying the charges'.⁵¹³ Once introduced, there was little debate about the objectives of means tested

⁵¹¹ See also, for example Webster, Charles, *The Health Services since the War. Vol. I. Problems of Health Care : The National Health Service before 1957* (London: HMSO, 1988) pp.132-192 and Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) pp.110-132.

⁵¹² Webster, Charles, *The Health Services since the War. Vol. I. Problems of Health Care : The National Health Service before 1957* (London: HMSO, 1988) p.144.

⁵¹³ Mr Crossman in reply to Mr Dance, *House of Commons Hansard v. 722*, 4 November 1968, col. 457. Mr Crossman suggested in a reply to Mr Scott-Hopkins about the possibility of lowering the age limit for women to 60 that old age exemptions were based on the large number of prescriptions required by older people, rather than their lower income: 'I do not think there is any evidence that women between the ages of 60 and 65 are more likely to need frequent prescriptions than men of the same age'. *House of Commons Hansard v. 722*, 4 November 1968, col. 458.

low income exemptions. The issue was very low-key, with the Department of Health dictating the remit of the scheme, and hardly any input from doctors' or patients' groups.

There were also exemptions based on chronic medical conditions such as diabetes, an admission that inability to pay should not be the only criterion, and that sickness should not impose an intolerable financial burden even amongst the relatively well off. This is how the non-poor were protected from high expenditure on medicines: means tested exemptions were only for the poor.

On the surface, the aim was to continue the principle that in the health service, any treatment could be given to any patient without worrying about the cost to the patient. However, bureaucrats devised a method of exemption that frustrated access for the groups the scheme was intended to help. For people on National Assistance, the prescription charges could be reclaimed through the Post Office on presentation of the receipt for the prescription medicine and the National Assistance payment book. People not receiving National Assistance could get a refund if they could not afford, by assistance standards, to pay the charge themselves. The chemist had an application form for use with the receipt in such cases.⁵¹⁴ Government records show that civil servants devised a scheme in which people receiving National Assistance could get a refund of the prescription charge when drawing their assistance payment⁵¹⁵ with the 'hope that many people would not trouble to claim the shilling from the Post Office'.⁵¹⁶ The Ministry of Health considered also that 'a repayment scheme would put obstacles in the way of demands for the extension of

⁵¹⁴ National Old People's Welfare Council, *Statutory Provision for Old People* (London: National Council for Social Service, 1957) p.9.

⁵¹⁵ National Council for Social Service, *Public Social Services: Handbook of Information on Services Provided by the State*, 9th ed. (London: NCSS, 1951) Supplement, p1.

⁵¹⁶ PRO AST 7/1015.

the privilege to this or that class of the community' because 'the trouble involved to the patient would act as a deterrent against claims'.⁵¹⁷ Thus, the aim of the means test seems to have been to restrict eligibility, rather than ensure that the needy were covered.

5.2 School meals

The reasons for the provision of school meals must be distinguished from the reasons for subsidising them. Catering is provided on school premises because of the British tradition of eating a cooked lunch, to keep pupils on the site over the lunch break, and to help working families. Another aim of school meals was to teach children table manners and etiquette. The Parliamentary Secretary to the Board of Education commented in 1946 that it: 'promotes a sound social spirit in the school [as it does] in the public schools and at older universities'.⁵¹⁸

The relative emphasis on 'subsidised free' and 'subsidised paid-for' school meals has changed over time. Likewise, the main objective within each 'stream' has changed over time. The two policies of 'subsidised free' and 'subsidised paid-for' school meals have had different objectives including educational, nutritional and family income support objectives, which can be summarised as follows:

Free meals for some children: Educational - to help learning Nutritional & medical -preventative and curative Assistance for poor children.	Paid-for (subsidised) meals for all children: To encourage a community atmosphere Nutritional & medical - preventative and curative Anti-poverty, assistance for poor children Family income support.
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⁵¹⁷ PRO AST 7/1015.

⁵¹⁸ Lang, Tim, *Now you see them, now you don't: a report on the fate of school meals and the loss of 300,000 jobs* (Accrington: The Lancashire School Meals Campaign, 1981) p.18.

As B. Davies has said, school meals was 'a service with complex objectives spanning more than one department of state'⁵¹⁹. The government's department of education saw meals as having primarily an educational objective. Nutritionists saw the goal as providing each child with a meal that meets the experts' criteria of what a child should eat. Treasury officials evaluated school meals in cost terms: access for the poor at least cost. Social policy experts and campaign groups applied distributional criteria, asking whether the poorest children benefited. These goals were incompatible, and vagueness about the objectives in policy resulted. As B. Davies explained: because it is provided in schools and administered by education departments (not health or social welfare departments), there is lots of opportunity for goal displacement.⁵²⁰

School meals were first introduced for educational reasons because pupils were found to be too hungry to learn.⁵²¹ A 1906 *Act* enabled Education Authorities to provide meals to children in attendance at public elementary schools who were 'unable by reason of lack of food to take full advantage of the education provided for them'.⁵²² Poorly fed children were found to be too tired and lacking in concentration to learn properly.

In order to qualify for free meals, it was necessary to demonstrate that a child was suffering from a lack of food, not just that the family had a low income.⁵²³ The Board of Education took a narrow view of eligibility

⁵¹⁹ Davies, Bledwyn, *Universality, Selectivity and Effectiveness* (London: Heinemann, 1978) p.3.

⁵²⁰ Davies, Bledwyn, *Universality, Selectivity and Effectiveness* (London: Heinemann, 1978) p.3.

⁵²¹ Wakefield, H. Russell et al., *Royal Commission on the Poor Laws: Minority Report* (1905) p.154.

⁵²² Hewetson, John, *Ill-Health, Poverty and the State* (London: Freedom Press, 1946) p.42.

⁵²³ Ivatts, J., "The Case of the School Meals Service," *Social Policy and Administration* 26, no. 3 (1992): 226-44 p.230.

which should be on essentially medical grounds, sanctioned by medical authority and with reference to manifest clinical symptoms. The Board was sensitive to accusations that school meals, if provided generously and according to a simple means test, could be said to be but another form of poor relief or a subsidy to low wages. In the Board's view this was not the purpose of the *Act*, which was solely for educational purposes. This was reflected in the duty given to LEAs to recover the cost of the food from the parent 'unless they are satisfied that the parent is unable by reason of circumstances other than his default to pay the amount'.⁵²⁴

Some argued that for reasons of humanity, children found to be in need of feeding should be fed, and that the State had a duty to ensure children were adequately fed, so as to enable them to become useful members of society.⁵²⁵ But school meals primarily had educational objectives, and only targeted malnutrition to the extent that it hindered education.⁵²⁶

Some authorities preferred to feed children on an income basis alone. Their justification was that they wished to avoid the onset of malnutrition. On this point there was some conflict between the authorities and the Board of Education in 1934. What worried the Board was that if feeding on an income selection basis became widespread, the cost would soon rise. The Board wanted to avoid attracting the attention of the Treasury, which might lead to an economy drive.⁵²⁷

⁵²⁴ Macleod, Iain and Enoch Powell, *The Social Services: Needs and Means* (London: Conservative Political Centre, 1952) p.15.

⁵²⁵ Lubbock, Gertrude, *Some Poor Relief Questions* (London: John Murray, 1895) pp.194-206.

⁵²⁶ Vaizey, John, *The Costs of Education* (London: George Allen & Unwin, 1958) p.114.

⁵²⁷ Le Gros Clark, Frederick, *Social history of the school meals service* (London: London Council of Social Service, 1948) p.12.

In the inter-war years, free school feeding was used in some local areas to ensure children were fed despite acute poverty and destitution. Kitchens were temporarily set up during the winter months and industrial recessions. During the unemployment of the 1930s there was a call for 'Free school meals for all children of unemployed parents' because the deficient feeding of mothers and children was causing softening of the bones and physical deformities and a general state of proneness to ill-health.⁵²⁸ In such cases, school meals were in effect a measure against the poor nutrition caused by poverty.

During the Second World War, the school meals service was used as a way to ensure that *all children* received adequate food despite rationing. The government's main concern was to ensure that there was an adequate supply of 'paid for' meals to evacuated children, and consequently decided to make the provision of both free and paid for meals a part of its war strategy. The service was regarded as having a vital role in child health.⁵²⁹ Behind the new policy lay new biochemical research emphasizing the nutritional importance of vitamins.⁵³⁰ The Board of Education increased the pressure on LEAs to provide school meals in some form, as a means of helping the evacuation programme by easing the burden on host families, combating malnutrition, and releasing many more women for war work.

During the war, the Board abandoned its earlier policy of insisting on proof of both necessitousness and malnutrition as criteria for the provision of free meals. It stated:

⁵²⁸ Hannington, Walter, *The Problem of the Distressed Areas* (London: Gollancz, 1937) p.283.

⁵²⁹ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.190.

⁵³⁰ Hicks, Ursula K., *British Public Finances: Their Structure and Development 1880-1952* (London: Oxford University Press, 1954) p.53.

'Since the aim of these proposals is to maintain a high standard of nutrition and to prevent malnutrition, rather than to remedy it after symptoms have appeared, Authorities may in future base their provision of free milk and free meals or part-payment meals solely on evidence of financial need.'⁵³¹

Campaign groups such as the Children's Nutrition Council promoted school dinners in the interests of child health:

'School milk and dinners must be put in the forefront of our social services. They are preventative, not curative. ... And I say to myself, "Now that's the right way to stamp out tuberculosis and pernicious anaemia. That's the foundation for a better British race".'⁵³²

By the mid 1940s, the aim of school meals was discussed in the much wider context of supporting family incomes. The 1944 Social Insurance White Paper stated that school meals and milk would be dramatically extended so as to provide additional help in kind to *all families* with school-age children:

'... the purpose of such a scheme (of assistance to families) can best be attained if a substantial part of the benefit is given in kind. The school meals and milk services will be so extended as to make them available to all pupils in primary and secondary schools, in receipt of a grant from the Ministry of Education or the Scottish Education Department. These benefits in kind will be free of cost to the parents, and will be available for all the children in a family attending school, including the first'⁵³³

During the debate on the White Paper in November 1944, Butler, the Education Minister, placed considerable emphasis on the expansion of

⁵³¹ PRO ED138/59, Circular 1567: paras 1, 2, 9. Quoted in Harris, Bernard, *The Health of the Schoolchild: A history of the school medical service in England and Wales* (Buckingham: Open University Press, 1995) p.159.

⁵³² Williams, Eddie, *School milk and meals: food is the basis for all relief, reconstruction, regeneration and rehabilitation* (Newport: 1944).

⁵³³ United Kingdom, *Social Insurance Part I White Paper, Cmd 6550 (1944)* para. 50. Quoted in Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.12.

free school meals and milk as a complement in kind to the new cash family allowance. The link between family allowances and school meals was confirmed by the way that the level of family allowances was fixed at 8s. rather than 9s. on the assumption that school meals would soon become free and universally available (see section 4.3).

However, the incorporation of these in-kind benefits into the 1944 *Education Act* suggests the measures were designed to solve what was seen as an educational problem, rather than family poverty. Cooper describes it as 'a conscious attempt to remove the more obvious "barriers" to education that children from low income backgrounds might encounter.'⁵³⁴ As early as 1948, one commentator remarked that the two forms of benefit had developed along their separate paths, 'as though they had never been arbitrarily associated together in a single piece of legislation.'⁵³⁵

By the mid-1950s, school meals had become peripheral to educational thinking. The post-war scheme continued to give some emphasis to a general nutritional function. This aspect of effectiveness of the school meals service must be judged by its contribution to the fight against child malnutrition. However, the nutritional contribution of school meals is a separate issue, not to be discussed here. The nutritional objective of school meals is best measured by using indicators of children's health.

But they have also had the redistributive objective of contributing to the budget of all families with children, but especially the poorest families.

The aim of *free* school meals was to enable those children from the poorest families, who might not even be able to afford the subsidised meal price, to take the school meals. By the 1960s, the general nutritional

⁵³⁴ Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.18.

⁵³⁵ Le Gros Clark, Frederick, *Social history of the school meals service* (London: London Council of Social Service, 1948) p.27.

aims of school meals took second place to consideration of the budgets of poorer families, for whom school meals were still regarded as nutritionally essential. Provision for the largest possible number of children was no longer an objective. The principal function of the school meals service was by then to prevent malnutrition caused by poverty.

In 1968 Family Allowance rates were more than doubled in the first uprating since October 1956. This increase was tempered by changes to other benefits such as the increase in the price of school meals and ending the scheme under which free school meals were given to the fourth and subsequent children in large families. The link between the increase in family allowances and changes with respect to school meals was intentional.⁵³⁶ This suggests a conscious relationship between family income support and school meals: school meals also became part of a family income support package, via their link with Family Allowances.

As with pharmaceutical benefits, the existence of a means tested free meals scheme was used to make it easier to increase charges. When ending the scheme under which free school meals were given to the fourth and subsequent children in large families, the Secretary of State emphasised that the eligibility criteria for free meals had been extended.⁵³⁷ When an increase in the price of school dinners was announced in the autumn of 1970, those on low incomes were to be protected from these increases by the raising of the income levels for

⁵³⁶ In reply to a question about ending the scheme under which free school meals were given to the fourth and subsequent children in large families, the Secretary of State for Education and Science stated: 'last month family allowances were increased.' *House of Commons Hansard* v.722, 4 November 1968, col. 486.

⁵³⁷ In reply to a question about ending the scheme under which free school meals were given to the fourth and subsequent children in large families, the Secretary of State for Education and Science stated: 'We have also twice this year, increased the parental income scale, which relieves certain people from paying for meals ... All the children who need free meals can get free meals. There is no need to give the money to quite wealthy people with large incomes ... If children need the free meal they will get it.' *House of Commons Hansard* v.722, 4 November 1968, cols. 486-7.

exemption from payment.⁵³⁸ The aim of that was to encourage consumption by poor children.

In 1971 there were further changes to the relationship between family income support and school meals. Family Income Supplement (FIS) was introduced and school meals prices were increased again. The relationship between family income support and reductions in education welfare was not quite as explicit and direct as had earlier been the case with Family Allowance. However, the introduction of FIS was put forward as one of the justifications for increases in school meal prices.⁵³⁹

The 1980 Black Report into inequalities in health noted the importance of school meals, as a contribution to nutrition, especially for poorer children. It also argued that: 'It should be regarded as a matter of importance - on education *and* health grounds - to ensure that all children receive a school meal or an adequate substitute at least during term time'.⁵⁴⁰ But by then the government had abandoned their nutritional objectives, as evidenced by the dropping of minimum standards for school meals in 1980.

In 1980 the government also seemed to have dropped all except minimal redistributive objectives. Low-income families not on Supplementary Benefit or FIS were squeezed out as benefits policy became more and more concentrated on Supplementary Benefit and FIS recipients: eligibility on the grounds of low income was at the discretion of the LEA.⁵⁴¹ From 1988 the benefit which replaced FIS, Family Credit, gave no

⁵³⁸ Child Poverty Action Group, *An Incomes Policy for Poor Families: A Memorandum to the Chancellor of the Exchequer* (London: CPAG, 1973) p.5.

⁵³⁹ Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) pp.51-52.

⁵⁴⁰ Black, Sir Douglas et al., *The Black Report*, 1992 ed. (London: Penguin, 1980).

Rona, R.J., S. Chinn, and A.M. Smith, "Height of Children Receiving Free School Meals," *Lancet* (1979): 534.

⁵⁴¹ Fewer and fewer LEAs continued to exercise this discretion, see Lister, Ruth, *Welfare Benefits* (London: Sweet and Maxwell, 1981) p.139.

automatic entitlement to free school meals. The school meals service acquired the image of a hand-out for the poor as LEAs reduced school meals provision to only those entitled to free meals.⁵⁴²

The role of school meals as ensuring that poor children could benefit fully from educational opportunities was not discussed by the 1980s. The DES made it clear by its policies that it regarded these benefits as competing for resources with mainstream educational programmes.⁵⁴³ There was a shift to viewing school meals as purely welfare, with no educational content. This was reinforced by the strong link with Supplementary Benefit and FIS. School meals were seen as part of the 'safety net' for the poor provided by Supplementary Benefit and FIS, that is as having a social security, rather than education, function. The CPAG thought that free school meals were an important way of protecting poor children, stating that if poor children did not take free meals, they could either go hungry or undernourished, or suffer from cutbacks made elsewhere in the family budget.⁵⁴⁴

In summary, the relative emphasis on subsidised and free school meals changed over time. School meals were first introduced as a benefit aimed at needy children. During WWII, subsidised school meals for all children was the aim. By the 1960s, policy emphasis was back on free meals for deprived children. The original idea of Family Allowance and free school meals for all children was later converted into Child Benefit for all, but free school meals for low-income children only. School meals had

⁵⁴² Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) p.32.

⁵⁴³ For example, in a written answer, Sir Keith Joseph (Secretary of State for Education) stated: 'the Government's plans for education expenditure by LEAs in 1985-86 assume economies in the provision of the school meals service ... so as to target resources to best educational effect'. *House of Commons Hansard*, v. 83, 23 July 1985, Written Answers, col. 509.

⁵⁴⁴ Bisset, Liz and Jean Coussins, *Badge of Poverty: a new look at the stigma attached to free school meals* (London: Child Poverty Action Group, 1982) p.10.

potential to lift people out of poverty, but for most of the period they were not part of a poverty-prevention policy. Rather they acted as poor relief.

Likewise, the main rationale of free school meals changed over time. Pre-1941 free school meals were based on educational need and part of education policy. However, this educational need arose because poor relief failed to provide adequately for families and the education budget was left to pick up the pieces. Then, the emphasis moved to counter-acting poor nutrition associated poverty. Later, it became just a social security measure for poor children, without explicit nutrition objectives.

5.3 Student grants

The broad objective of student grants was to ensure access to higher education. However, there was tension between emphasis on rewarding the academically successful student and promoting social mobility. This tension arises because lower income groups fare less well in education. How much this was recognised varied over time. The history of student grants can be broken down into three phases: pre-1962, 1962-1985, and after 1985. The main participants in the debate were the Treasury, the Ministry of Education and its successors, and the National Union of Students (NUS).

The system of means tested state scholarships that existed until 1962 was designed to assist those of 'high academic promise'.⁵⁴⁵ From the point of view of the NUS the purpose of grants at that time was 'that all persons worthy of higher education should be given the means to undertake, and to gain the greatest possible benefit from, their chosen course of study'⁵⁴⁶ because 'university education must be available to all who can profit

⁵⁴⁵ National Union of Students, *Grants Yesterday, Today, Tomorrow?* (London: NUS, 1973).

⁵⁴⁶ National Union of Students, *1955/56 Survey of Local Education Authority Awards to Students and Grants Year Book* (London: NUS, 1956) p.6.

from it'.⁵⁴⁷ For a time, the NUS even argued that 'that, in all cases where a student's training brings financial difficulty to his parents, he should be given a maintenance grant sufficient not only to maintain him at college, but also to compensate his parents for loss of earning power'.⁵⁴⁸ They broadly agreed with government until the 1960s on a policy that could be summarised as 'access for the ablest few'.

The Treasury, as might be expected, was concerned to maintain access, but at the least cost. When the system of student finance was under review in the late 1950s, the Treasury argued that the middle class were the main beneficiaries and that it was not 'in general harmony with the Government's policies on the social services ... that maintenance as distinct from tuition fees should be provided without a means test'.⁵⁴⁹

The Treasury agreed that a review was necessary, but was determined to ensure that it did not recommend the abolition of the means test, which would have increased the Exchequer's expense.

The 1962 *Education Act* accepted the principle that any student accepted by a University should receive an award.⁵⁵⁰ The statutory duty on LEAs to provide qualified students with grants ensured geographical uniformity of grant provision. There was a minimum grant of £50 to all award-holders regardless of parental income, and a new more generous income scale for the means test. Thus the objective ascribed to student grants by the Ministry of Education dominated, an objective that can be summarised as 'access for the many'.

⁵⁴⁷ National Union of Students, *The Future of University and Higher Education* (London: NUS, 1945) p.4.

⁵⁴⁸ National Union of Students, *The Future of University and Higher Education* (London: NUS, 1945) p.3.

⁵⁴⁹ Brigden, Paul and Rodney Lowe, *Welfare Policy Under the Conservatives 1951-1964: A Guide to Documents in the Public Record Office* (London: PRO publications, 1998) p.188.

⁵⁵⁰ Or a comparable course, and who had two Advanced level passes or the equivalent

The aims of student grants are revealed in the debates surrounding a proposed move to a loan system of finance for students. The main argument of opponents of loans was that loans conflict with the goal of equality of educational opportunities. This suggests that the grants were thought by social policy analysts to contribute to the goal of equality of educational opportunities. However, this opportunity was only open to the 10-15 per cent of school leavers who gained 2 or more A-level passes.⁵⁵¹ Commentators said of the new grants system: 'What is this but a system of giving to those who already have?'⁵⁵² They argued that there was nothing wrong with the generous grants system if what it sought was to support a (middle class) educational elite. However, higher education grants could not, in their view, be defended on the grounds of social equality.

The objective of student grants next became contested in the mid-1980s. Experience had shown that in practice the middle class benefited most from the grants system. In the political climate of the 1980s, the Treasury's concern to contain costs won out over social objectives of other bodies. First the minimum award was scrapped in 1984, and then the main grant was frozen before being phased out. As the main grant was withdrawn, it was available to students with ever lower family incomes. Students, as represented by the NUS, objected throughout the post-war period that the child from a more affluent family had to remain dependent on his or her parents. Thus, means testing of parents could obstruct opportunities for the young as the child of well-off parents might be subjected to any restrictions his parents may choose to impose. But it was never an accepted objective of means-tested student grants to help young people leave home and become independent.

⁵⁵¹ Figures from *House of Commons Hansard*, v. 81, 27 June 1985, Written Answers, col. 460; *House of Commons Hansard*, v. 83, 23 July 1985, Written Answers, col. 510.

⁵⁵² Blaug, M., "Loans for Students?," *New Society*, no. 6 October (1966) p.540.

Educational subsidies can contribute to a stable society by encouraging upward mobility across income classes and creating the sense that society is not divided along rigid class lines. Such an argument for educational subsidies was applied by social policy analysts who wanted to redress the negative consequences of inequalities for a whole income group. They used the number of young people from low-income backgrounds in higher education as their way of assessing the success of the means test. However, meritocratic arguments were in fact applied throughout the period as the aim of student grants was individual mobility. If one wanted to encourage some people into university and discourage others, then a means tested grant would be one way of achieving this. However, student grants were never actively promoted as an incentive, or bonus, to attract under-represented groups into higher education. Individual mobility, not mass redistribution, was the aim, although the extent to which each was embraced varied.

5.4 Civil Legal Aid

The main issue with civil legal aid was how far up the income scale eligibility should reach. Government support for the legal aid scheme varied depending on whether the concern of the moment was 'the mounting cost of legal aid' or 'the unmet need for legal services'. Government pronouncements on the purpose of civil legal aid have changed, reflecting less commitment to the scheme. The main protagonists were lawyers as represented by the Law Society, the Lord Chancellor's Department (LCD), and from 1988, the Legal Aid Board (LAB).

The objective of legal aid was ostensibly to secure access to justice, or at least access to legal services, for those who could not afford it otherwise, and proposals for reforming legal aid generally failed to set out explicitly

the policy objectives of the system, or presented these in terms of broad references to 'access to justice'.⁵⁵³ As Smith describes it: 'Access to the courts, and more broadly to justice, is a constitutional right which the government should, in principle, actively make a reality for those for whom poverty or other disadvantage would otherwise be a barrier'.⁵⁵⁴ Civil legal aid provided representation by private practitioners paid by public funds. 'The intention was to provide the same representation for low-income litigants that they would have obtained if they could afford a lawyer'.⁵⁵⁵

The Rushcliffe Committee on legal aid published its report in 1945. Its recommendations, an almost complete acceptance of the views of the Law Society, formed the basis of the post-war civil legal aid scheme. It recommended that legal aid should not be limited to those people 'normally classed as poor', but should also include those of 'small or moderate means': access should be wide.⁵⁵⁶ S. Pollock of the Law Society identified the principles built into the 1940s scheme. According to him 'These principles can be regarded as the declaration of intent that is embodied in the legal aid legislation'.⁵⁵⁷ They included the following:

- 1) Irrespective of means, there must be access to all courts within the jurisdiction and to the legal services required to make that right

⁵⁵³ Lord Chancellor's Department, *Legal Aid for the Apparently Wealthy: A Consultation Paper* (London: Lord Chancellor's Department, 1994) p.5; Gray, Alistair M, "The Reform of Legal Aid," *Oxford Review of Economic Policy* 10, no. 1 (1994): 51-67 p.66.

⁵⁵⁴ Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.3.

⁵⁵⁵ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.5.

⁵⁵⁶ Goriely, T., "Rushcliffe Fifty Years On: The Changing Role of Civil Legal Aid within the Welfare State," *Journal of Law and Society* 21, no. 4 (1994): 545-566 p.547; Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.4.

⁵⁵⁷ Pollock, Seton, *Legal Aid: The First 25 Years* (London: Oyez Publishing, 1975) p.7.

effective, including such advice and assistance as may obviate the need for recourse to a court.

- 2) Those using services should be required to pay no more than they can reasonably afford towards the cost of the services, having regard to their actual means.
- 3) The cost not met by contribution or otherwise should be borne by the community.⁵⁵⁸

However, in 1949 the LCD asserted that the purpose of legal aid was: '...to provide legal advice for those of slender means and resources so that no one will be financially unable to prosecute a just and reasonable claim or defend a legal right'.⁵⁵⁹ Further, in 1955 the LCD stated quite clearly to the Select Committee on Estimates that the legal aid means tests were designed to show that 'the applicant had no means whatever to spend on litigation'.⁵⁶⁰ In other words, they were for the poor. The Lord Chancellor's Advisory Committee, in its comments on the Law Society's Sixth Report, wrote that they saw no urgent need to update the income scale 'because we are satisfied that the Legal Aid Regulations are still, broadly speaking, doing their work'. They also reached the conclusion that in time of full employment and higher wages more litigants were able to finance their own litigation without resort to the scheme. This suggests that they saw the scheme as an emergency one for the poor, rather than for the ordinary wage-earner.⁵⁶¹

In 1986 the Lord Chancellor initiated the first intentional cuts to civil legal

⁵⁵⁸ Pollock, Seton, *Legal Aid: The First 25 Years* (London: Oyez Publishing, 1975) pp.6-7.

⁵⁵⁹ Lord Chancellor, *Summary of the Proposed New Service* (1948) Cited in Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.13.

⁵⁶⁰ Partington, Martin, *The Legal Aid Means-Tests: Time for a Reappraisal* (London: Child Poverty Action Group, 1978) p.11.

⁵⁶¹ Benenson, Peter James Henry, *The Future of Legal Aid* (London: Fabian Society, 1957) pp.19-20.

aid eligibility, as the government began to prioritise the restraint of the budget over access. The debate over the publicly funded legal services was dominated by the government's concern over the cost of legal aid. Section 1 of the 1988 *Legal Aid Act* provides a statement of the purpose of that Act:

'to establish a framework for the provision ... of advice, assistance and representation which is publicly funded with a view to helping persons who might otherwise be unable to obtain advice, assistance or representation on account of their means.'⁵⁶²

This section was not in the original Bill. It was inserted at the Third Reading in the House of Lords following an amendment put down at Committee stage and supported by speakers on all sides. The Lord Chancellor, Lord Mackay, then devised the statement of the purpose of the Bill. This suggests that the LCD would have liked to leave the purpose vague.

The LAB was created in 1988 to drive forward an agenda of greater administrative and financial control over the scheme. It took over running civil legal aid from the Law Society. The LAB was the main influence on legal aid policy from its inception: 'The Board controls policy because it controls administration'.⁵⁶³ The LAB had the over-riding objective of cost control. The Board's political agenda was 'not necessarily linked to policy considerations about, for example, the desirable scope of, and eligibility for, services'.⁵⁶⁴ As M. Cousins says, savings were: 'made

⁵⁶² Cited in Matheson, Duncan, *Legal Aid: The New Framework* (London: Butterworths, 1988) p.3.

⁵⁶³ Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.34.

⁵⁶⁴ Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.34.

by allowing eligibility to decline', rather than limiting remuneration to lawyers.⁵⁶⁵

By the time of the 1991 eligibility review⁵⁶⁶, the tone had changed to 'a conditional financial support, provided by the taxpayer, for individuals whose financial circumstances would prevent them from taking or defending proceedings without assistance with their costs'.⁵⁶⁷ In 1992, the Legal Action Group (LAG) could not find any principles in the legal aid means test: 'Legal aid rates of eligibility ... are, it is true, set nationally. However, their levels lack any logic'.⁵⁶⁸ Smith confirms this view: 'There is remarkably little consideration of the first principles that should underlie policy on the justice system'.⁵⁶⁹ Policy-making by the Lord Chancellor's Department was dominated by the need to set and meet spending estimates. Further, concentration on limiting cost was to the exclusion of consideration of the purpose of the expenditure. In law there is a saying: 'Hard cases make bad laws'. This means that looking at exceptional cases is not the best way to make general rules. But the LAB has done just this with a means test which has developed driven by a desire to close loopholes in the existing means test, partly because they needed to retain public support for this expenditure following a small number of high profile and expensive cases in the 1990s where individuals with apparently affluent lifestyles were legally-aided. As a

⁵⁶⁵ Cousins, Mel, "Civil legal aid in France, Ireland, the Netherlands and the United Kingdom - a comparative study," *Civil Justice Quarterly* 12 (1993): 154-66 p.165.

⁵⁶⁶ Lord Chancellor's Department, *Review of Financial Conditions for Legal Aid: Eligibility for Civil Legal Aid: a consultation paper* (London: Lord Chancellor's Department, 1991)

⁵⁶⁷ Gray, Alistair M, "The Reform of Legal Aid," *Oxford Review of Economic Policy* 10, no. 1 (1994): 51-67 p.51; Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.26.

⁵⁶⁸ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.112.

⁵⁶⁹ Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.4.

government report put it, a handful of cases had 'cast a pall of suspicion and discredit over the whole legal aid scheme'.⁵⁷⁰

The LAG argued that: 'There must also be a coherent policy in relation to eligibility, constructed upon a set of clearly expressed principles'.⁵⁷¹ They proposed the principles they thought should apply. They included (among others):

- A relatively high proportion of the population must be financially eligible. The lower income limit for free civil legal aid and dependents' additions should be set at 50 per cent above Income Support levels. Capital limits should also be raised to an equivalent level above those applicable for Income Support. The upper limit for any means test should be sufficiently high to allow for all those who would otherwise be unable, for financial reasons, to consider taking or defending legal proceedings.
- 'There should be an element of discretion so that limits can be raised for particularly expensive types of case, such as medical negligence litigation, which are otherwise outside the reach even of people with relatively high incomes and capital.'⁵⁷²

According to Benenson, legal aid did not receive a great deal of public support, even from those people who would be expected to support the idea. Several Judges made it known that they thought public money should not be spent on certain types of legal aided person.⁵⁷³

Finally, another argument in favour of legal aid which is sometimes made is that although some legal actions are largely private in character, others have public good characteristics. For these there may be an externality grounds for public provision: the whole community stands to benefit

⁵⁷⁰ Lord Chancellor's Department, *Legal Aid for the Apparently Wealthy: A Consultation Paper* (London: Lord Chancellor's Department, 1994) p.6.

⁵⁷¹ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.117.

⁵⁷² Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) pp.119-20.

⁵⁷³ Benenson, Peter James Henry, *The Future of Legal Aid* (London: Fabian Society, 1957) p.22.

from the rule of law. However, this was not incorporated into the formal aims of the scheme.

5.5 Conclusion: "Means tests had multiple aims"

In the introduction to this chapter I put forward eight possible aims of means tested non-subsistence benefits as a framework for my analysis. I now conclude with a review of whether these objectives applied to the benefits which are the subject of this study. Table 5-1 summarises the objectives of the benefits and how they correspond with the eight I suggested in the introduction.

Table 5-1 Objectives of means tested benefit schemes, 1945-1995

Objective:	Free school meals	Prescription medicines	Student grants	Civil legal aid
1) Redistribution				
2) Access to service	✓	✓	✓	✓
3) Encourage consumption inc. by non-poor			✓	
4) Restrict eligibility to 'poor'	✓ From 1980	✓	✓ From 1990	✓
5) Assistance	✓	✓	✓	✓
6) Anti-poverty				
7) Prevent sudden drop in living standards			✓	✓
8) Social cohesion				

Regarding the first objective, I found that the rationale for non-subsistence benefits was to do with protecting the consumption of the poor as opposed to redistribution. The model was one of compensation for poverty or misfortune rather than a broader one of equalisation of opportunity or inequalities in distribution.

The extent to which ensuring access to the service was carried out varied. For instance, some benefits veered between access to service for a relatively large group and then pro-actively restricting eligibility to contain costs. Means-testing is a barrier to use of a service. This need not

be seen as a negative quality of means-testing: it was partly the aim, for example with prescription medicines. The means test often reinforced the aim of restricting eligibility, rather than ensuring that the needy were protected. Turning to the fifth possible objective that I identified, I found that there was no aim to get people off benefits: these means tested benefits were 'assistance', rather than 'anti-poverty' measures. Even student grants were not intended to prevent inter-generational poverty.

Externality arguments, the eighth aim I identified, can be applied to each of the four non-subsistence benefits which are the subject of this study. It is undoubtedly to the benefit of society in general if children are well-fed and people who have medical need for prescription medicines can get them. However, these were not prominent arguments in the debate about provision of school meals and prescriptions on a means test. With student grants, student representatives tried to argue that students who take degrees do a service to society, but policy makers tended to see the benefits of university study as accruing almost entirely to the student himself. This was certainly the dominant point of view from the 1980s onwards. The externality effect of legal aid is that it promotes the rule of law and may bring forward cases which set a precedent and therefore affect other people apart from the immediate beneficiary. Although, externality arguments are easy to identify, they did not carry much weight with policy-makers.

Some of the objectives that the relevant interest groups imputed to these benefits were of a non-financial nature. For example, nutritionists would have wanted to measure the success of free school meals using health indicators. Analysts who saw student grants as promoting social mobility would have used criteria such as the social background of university-goers. However, the concern of this study is with the objectives which can be evaluated in monetary terms, objectives related to the extent of eligibility, income and poverty.

How did the objectives of these benefits compare with the objectives of income maintenance benefits in England and Wales over the same period? Subsistence benefits can be characterised as restricted to the poor only, as assistance and as a benefit to support family income. They aimed for some redistribution, but not enough to completely counteract market forces. They were the instrument for income redistribution and family income maintenance which non-subsistence benefits were not intended to be. Only school meals were seen as definitely linked to social assistance. The other non-income maintenance benefits were only linked to social assistance in the sense that their coverage was more generous than social assistance.

Finally, how were the objectives of these benefits connected with the general objectives of the welfare state? Unfortunately the purpose of the welfare state was never clearly defined. Some analysts assumed its aim to be the abolition of want, others assumed something more far-reaching, like a more egalitarian society. Within the Beveridge Committee itself and in the run-up to the implementation of the welfare state there was little discussion of the broader principles and overall aims of welfare policies.⁵⁷⁴ Since the purpose of the welfare state is not clearly defined, there are no accepted criteria of efficiency and equality on which the welfare state can be judged. Similarly, the role that non-subsistence benefits should play in the welfare state has also not been clearly set out.

Arguably the individual benefits to be studied here are part of the welfare state, although their role has often been neglected. Free prescriptions and prescription charges are part of the NHS, but much analysis focuses on the NHS as a free-at-point-of-use service. Student grants are seen as a 'fringe' welfare policy, but an important aspect of education and opportunity policy. Similarly, civil legal aid is 'marginal'

⁵⁷⁴ Land, Andrew, Rodney Lowe, and Noel Whiteside, *Development of the Welfare State 1939-1951: A Guide to Documents in the Public Record Office* (London: HMSO, 1992) p.3.

from the point of view of welfare policy analysts, but influences access to justice. On the other hand, school meals are more often seen as part of the social security system because of their long-standing link to National Assistance and family allowances.

The government could have had a far more pro-active approach to setting objectives. The very existence of these schemes at all was an excuse for not doing much to improve them. These benefits were all to ensure access for the poor, among other objectives. But the definition of 'poor' was left vague, and has to be uncovered in the design of the benefit. Similarly, formal rights may have existed, but the design of the means test could betray the intention of deterring claims. It is to the implicit value-judgements revealed in the design of the means test to which I turn next.

6 How to means test? The design of means-tested benefits

In this chapter I consider the issues which arise once the decision to implement means testing has been taken.

We need to understand how means tests were designed. It is not enough to discover a need and legislate against it. The actual methods by which the legislators' intentions are put into practice are also of importance. The way in which the service is delivered is itself part of policy-making, and the administration of benefits can affect the quality of the service. There are many decisions to make when designing a means test, and these decisions often involve embedded values. As an example, the decision about whose income to take into account implies a moral judgement. Should men and women who are co-habiting have a financial advantage over husbands and wives? It is the implicit values revealed in the design of the means test to which I now turn.

In order more adequately to describe the variation in design and administration of means tests, I have developed a classification system. Some features of the means tests are also analysed, and there is a quantitative analysis of the complexity of the means tests.

6.1.1 Sources of evidence

For comparison, the operation of the means tests as at 1st October 1965, 1975, 1985 and 1995 was studied. This is the mid-point of the financial year, so can be seen as representative of the financial year. It is also a relevant date to use for free school meals and student grants, for which eligibility is usually determined at the start of the academic year.

Finding out the rules of all four means tests at all four dates involved a great deal of research. It was necessary to consult many different sources,

published and unpublished. The means tests are documented in detail in the appendices.

I put forward a taxonomy of means-tested benefits to set out which bodies administered and developed the means tests, and their design features. This is described below and summarised in tables in the Appendix.

6.1.2 Income-tested or means-tested?

The distinction between means testing and income testing is that in a means test, savings and capital, as well as income, are taken into account. This makes a big difference to the allowable wealth-holdings of the eligible group. However, when the capital disregarded by a means test is very high, the practical distinctions between a means-test and an income-test dissolve.

6.1.3 Cash or in-kind benefits?

Means tested benefits can be provided as cash or in-kind. Cash versus in-kind is a continuum which can include cash with advice and vouchers or compulsion to use a service. Means-tested benefits can attempt to serve as a general safety net, meeting all economic necessities, or they can be restricted and directed towards one specific item of consumption, such as non-subsistence benefits. The non-subsistence benefits of this thesis vary in how restricted they are. Student grants are the least restrictive in how the cash benefit is spent, although it would almost invariably be spent, wisely or not, on supporting the lifestyle of the student beneficiary. The other benefits can only be directed at a very specific item of consumption, although they may release cash in the budget for spending of choice.

In-kind transfers carry a deadweight loss because cash can be spent on whatever a consumer wants. One view is that the tax and benefit system should give people the purchasing power they need to access services. However, there are arguments for in-kind benefits based on the theories

of public goods, merit goods and external benefits. These are not captured by the practice of calculating cash equivalents in order to determine their contribution to the distribution of income and real welfare levels. There is the issue of whether attributing cash values to in-kind benefits is appropriate. It is not clear how to value non-transferable in-kind income according to the exchange value which money income is.

School meals have a complex and long history of their relationship to mainstream social security. In the mid-1980s there was controversy about whether to give low income families free school meals automatically, as against offering the cash value instead. The problem of replacing free meals with cash payments is that cash may get spent on something else. The other danger is that the cash payment substitute would be insufficient to compensate.

There is a case for social security providing the money to applicants for on-going costs such as school meals. At the other extreme, legal costs are potentially large, but also a very irregular occurrence: it is not reasonable to give people enough money out of regular social security to cover the contingency of meeting legal costs.

6.1.4 Rebates

A means test may be applied in different ways:⁵⁷⁵

- A payment may be made conditionally on showing need. E.g. student grant.
- A charge may be recovered, which is graduated according to means. E.g. civil legal aid.
- A fixed charge is levied, but assistance can be obtained to cover the charge. E.g. free school meals, pharmaceutical benefits.

⁵⁷⁵ Macleod, Iain and Enoch Powell, *The Social Services: Needs and Means* (London: Conservative Political Centre, 1952) p.3.

If everyone pays and then one can claim costs back later, this is clearly less satisfactory for the applicant. Local authorities or other bodies did not see it as their responsibility to relieve poverty; this was the function of social security. They preferred to make standard charges for the services they provided and direct people facing hardship to apply to the DSS for assistance. But even when Supplementary Benefit had considerable room for discretion, the SBC tried to prevail on local authorities not to add to the financial difficulties of their clients. With Income Support, there was much less scope for making discretionary additional payments and thereby passing costs of providing services to those on low incomes from one public purse to another.

6.1.5 Taper or sudden cut-off?

A service can be free up to a defined level of income and charged for according to a sliding scale above that income level. Making a charge variable by income avoids 'notch' problems created at the cut-off with an income-limited 'access' policy. Some services cannot be partially offered and have to be 'all-or-nothing', so you offer the entire service, but make an income-tested charge.

Whether there is a taper or sudden cut-off for eligibility can have an impact on the stigma attached to the benefit. If there is no taper the role of the administering staff is that of 'gate-keeping' to keep out those ineligible. But where their task is to assess how much should be paid, there exists less stigmatising attitude. For example, where parental income exceeded a certain amount students did not receive the full maintenance grant. In this situation parents were expected to give a parental contribution equal to the difference between the grant actually received and the full grant. Also, a taper can help mitigate the 'poverty trap', by withdrawing benefit over a range of income.

The income level at which the taper or sudden cut-off comes into effect reveals something about the implicit objectives of the means test. For

example, if the sudden cut-off is at the point where income reaches subsistence benefit level, this suggests it is an assistance measure⁵⁷⁶, designed to help those in poverty. On the other hand, if there is a taper or cut-off above subsistence benefit level, this suggests that the benefit also aims to be an anti-poverty measure to ease the transition into work, because not all benefits are immediately removed when income rises above subsistence benefit level. One of the problems of means testing is that wherever the line is drawn, there will be borderline cases, which may cause hardship.

6.1.6 Unit of assessment

In the mid-1990s, it was the income of the immediate family or 'benefit unit' which was relevant for most means tested benefits. However in principle, income could also be assessed individually, or over the wider household. The inter-war means test was unpopular in part because it altered the responsible unit from the family to the 'household'. It was resented because it implied that unemployed former male 'breadwinners' should be supported by their wives and children. The 1941 *Determination of Needs Act* reduced the unit assumed to have a duty of supporting itself to the 'family', defined as husband and wife and children under 16. This was called the replacement of 'the household means test' by 'the personal means test'.⁵⁷⁷ It was sometimes referred to as the replacement of the means test by a 'needs test', which is meaningless as both tests were equally tests of means, i.e. of financial needs. The change had some

⁵⁷⁶ A distinction can be made between 'assistance', and 'anti-poverty' measures. Assistance benefits aim to ease the conditions of people in poverty, whereas anti-poverty schemes help to keep people out of poverty (or get them off subsistence benefits), generally by investment in their human capital so that they can find work. Anti-poverty measures would be expected to support both the non-poor and the poor in order to achieve their aim. See Chapter 8.

⁵⁷⁷ Bevin, Ernest, *The Truth about the Means Test: "The Poor Law is Buried"*. (London: The Labour Party, 1941).

connection with the general trend of reduction in family size and more people living separately.

In relation to student grants, the government stated that: 'One of the principles of the awards system is that parents are expected to contribute, according to their means, to the higher education of their children'⁵⁷⁸, and 'marriage alone is not considered to signify the degree of financial independence which would make it unreasonable to expect such a contribution'⁵⁷⁹. Consequently, the income of a student's wife or husband was not taken into account.

For legal aid the resources of a spouse were treated as the applicant's own, based on the principle that a husband and wife were under an obligation to support each other before having recourse to the taxpayer (except where it would be unreasonable to require this e.g. a matrimonial case).⁵⁸⁰ If the applicant was co-habiting with a 'mistress', the same allowances would be made for her children, but any maintenance she received for them would be taken into account as income. The equivalent of the spouse's allowance (£234) would also be made.⁵⁸¹

The family may be the appropriate unit for analysis for non-subsistence benefits because whether one family member can or cannot get legal aid will have a welfare impact on the whole family.

The status of the adult dependent is uncertain, as is shown by the evidence of the means tests I studied. There are inconsistencies between means tests in how they treat family members aged 16-25. The definition

⁵⁷⁸ Mr van Straubenzee, *House of Commons Hansard*, v.826, 16 November 1971, Written Answers, col.117.

⁵⁷⁹ Mr Brooke, *House of Commons Hansard*, v.83, 25 July 1985, Written Answers, col.640.

⁵⁸⁰ Matthews, Edwin James Thomas and Anthony Derek Maxwell Oulton, *Legal aid and advice under the Legal Aid Acts 1949 to 1964* (London: Butterworths, 1971) p.80.

⁵⁸¹ Matthews, Edwin James Thomas and Anthony Derek Maxwell Oulton, *Legal aid and advice under the Legal Aid Acts 1949 to 1964* (London: Butterworths, 1971) p.92.

of 'adult dependent' is unclear. The responsibility of parents towards children aged 16-25 in terms of paying for their education etc. is unclear.

6.1.7 Time period of assessment

The 'middle class' means tests were expressed in terms of annual income. For student grants, it is annual income of some months ago which was considered relevant. The means tests for lower income groups were expressed in terms of weekly income.

Regulations governing administration of free school meals did not lay down a definite period over which weekly pay should be averaged to determine eligibility. In practice, LEAs used 4 or 5 weekly pay slips or 2 monthly pay slips. So parents whose income fluctuated over the year could find they were ineligible in periods when their earnings were relatively high. LEAs had a free hand in deciding the period of award of free school meals. Usually new application forms were sent out twice a year. So parents are subject to a means test twice a year and school meals represented an uncertain source of income. Parents were meant to inform authorities if their circumstances changed. Provision from April 1973 for an annual review irrespective of changes may have reduced uncertainty, although was unfair for families whose income fluctuates around the margin of eligibility.⁵⁸² Therefore, although a 'weekly' assessment period might be imagined to enable benefit to be adjusted very quickly in response to circumstances, the averaging of weekly earnings and time period of award meant it was not. As stated, this might disadvantage families around the margin of eligibility, but it also mitigates the incentive effects of benefits which immediately respond to a change in income.

⁵⁸² Townsend, Peter, *Poverty in the United Kingdom: A survey of household resources and standards of living* (Harmondsworth: Penguin, 1979) p.863.

6.1.8 Status exemptions

Some groups of applicants for means tested benefits had widespread support e.g. war pensioners. Other groups were faced by considerable hostility and suspicion irrespective of means e.g. single parents. This is shown in the design of the means tests, some which have blanket exemptions for war pensioners. LAG advocated more financial eligibility for civil legal aid to be defined by subject matter rather than by means of individual clients e.g. for landlord and tenant cases, employment, immigration, debt and social security, as these were likely, on the whole, to involve poor clients.⁵⁸³ Receipt of NA/SB/IS was also used as a status exemption, or 'passport' benefit. 'Passporting' is when receipt of social assistance benefits gives automatic entitlement to other benefits. Generally these kinds of exemptions, if suitable ones can be found as proxies to income, make the system simpler and more straightforward. Exemptions inspired further demands for concessions.⁵⁸⁴

Means-tested benefits can attempt to serve as a general safety net, meeting all economic necessities, or they can be restricted and directed for specific items of consumption. Passported benefits are, in effect, a restricted benefit nested within a general income-maintenance scheme. Separate claims may have to be made, but it is not necessary to undergo a separate means test.

Passporting perhaps emerged unintentionally. For example, the SBC normally required the applicants for legal aid to attend an interview. The applicant had to bring documents such as wage-slips, bank statements, rent book, and HP cards. But an interview was not normally required

⁵⁸³ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.118.

⁵⁸⁴ For example, Mr Dempsey, an MP, asked for free prescriptions for long-term sick people whose sole income was invalidity allowance. *House of Commons Hansard*, v.836, 9 May 1972, col.1118.

where the applicant already received Supplementary Benefit, as the SBC would already have details of his resources.⁵⁸⁵

The government saw passporting as a way to overcome the complex arrangements for means testing: 'it is our aim to achieve a greater simplicity wherever possible ... One way of doing this is through the extension of passport arrangements'.⁵⁸⁶ At the local level, the introduction of passport arrangements for Supplementary Benefit and Family Income Supplement for free school meals served to standardise the means test for a large portion of recipients. Passporting may have made administration easier for the authorities, but it did not wholly resolve the problem of take-up of non-income maintenance benefits. For instance in a survey carried out in June 1971 in Coventry, of the sample of 40 Supplementary Benefit recipients under pension age, 8 paid for prescriptions. 2 of these knew that they did not have to pay, but preferred to. The other 6 did not realise that they could get prescriptions free.⁵⁸⁷

Nor did passporting not serve as impetus to simplify the means test for families not on Supplementary Benefit or Family Income Supplement.⁵⁸⁸ Thus, local authority policies had an important influence on take-up of school meals by non-passport families. Local authorities varied in the amount of information available to potential applicants, the way applicants were treated, and the length of time for which free meals were granted. A survey⁵⁸⁹ found that 71 per cent of families eligible to free

⁵⁸⁵ Matthews, Edwin James Thomas and Anthony Derek Maxwell Oulton, *Legal aid and advice under the Legal Aid Acts 1949 to 1964* (London: Butterworths, 1971) pp.66-70.

⁵⁸⁶ Under-Secretary of State for Health and Social Security (Mr Paul Dean), *House of Commons Hansard*, v.826, 15 November 1971v.826, col.184.

⁵⁸⁷ Bond, N, "Knowledge of Rights," in Butterworth, Eric and Robert Holman, eds., *Social Welfare in Modern Britain* (Fontana / Collins, 1975), 134-140 p.138.

⁵⁸⁸ Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.47-48.

⁵⁸⁹ Wilson, Paul, *Free School Meals: a survey carried out on behalf of the Department of Education and Science* (London: Office of Population Censuses and Surveys, 1981).

school meals through receipt of 'passport' benefit were aware of their entitlement. But of those eligible because of low income only just over one-third were sure of their entitlement.

Income Support is, in effect, a bottom line for defining the minimum subsistence level of income.⁵⁹⁰ If non-take-up of Income Support itself was a problem, Income Support could not be safely taken as a 'passport benefit' which readily identified and defined the poor. The Welsh Consumer Council recommended that non-Supplementary Benefit recipients should have the same 'passporting' arrangements for means tested benefits as Supplementary Benefit recipients had.⁵⁹¹ People might not have been claiming Supplementary Benefit because they were only just below the level for it and did not think it was worth claiming.

However, passporting can exacerbate the 'poverty trap', if non-income maintenance benefits are only available to passported recipients. For example, there was no provision for a sliding scale of prescription charges, but by withdrawing the free prescriptions entitlement at a higher income than the cut-off for Income Support, the 'poverty trap' was less deep than otherwise. Nevertheless, such arguments seem to have had no influence on the design of the non-income maintenance benefits which are the subject of this study.

The other problem with passporting is that it can result in anomalies. This is evidenced in my data. The anomalies can be people who appear to have incomes below Income Support level and are not eligible and people on Income Support, who would not be eligible if they did not receive Income Support as a component of their income. On the other hand,

⁵⁹⁰ Although some would argue that an acceptable standard of living is not possible on Income Support.

⁵⁹¹ Welsh Consumer Council, *One Form for Benefits?: A Welsh Consumer Council Study of Multi-Purpose Claim Forms in Merthyr Tydfil* (Cardiff: Welsh Consumer Council, 1977) p.51.

passporting Income Support and Family Credit recipients has smoothed out some other anomalies, especially those which used to occur due to having a short-term and a higher long-term rate of Supplementary Benefit. This will be shown in Chapter 7 by comparing those eligible on income only and those passported.

6.1.9 Local or national rules?

One of the major differences between these means tests is the body which made the rules. Pharmaceutical benefits were organised by central government. School meals were also the subject of national statutory regulations from 1964, although LEAs had some additional discretion.

University student grants used to be subject to local authority discretion, but later were controlled by national statutory regulations. The Treasury agreed that a review of student grants was necessary in the late 1950s, but was determined to ensure that it did not recommend the ending of an LEA role, which reduced the Exchequer's expense.

Where eligibility is decided by local authorities, families with exactly the same incomes, commitments and dependants receive widely varying local authority benefits depending on where they live. Variation is the keynote of such means tests. Reddin found that in the 1960s there existed grossly different criteria of adequacy in operation which bore no relation to local differences in need, incomes or costs or any other factor which might be a justification for variance.⁵⁹² In view of the general lack of publicity given to these benefits and the concealment of scales it would seem likely that the 'non-take-up' problem is even worse for local benefits than for national benefits.

⁵⁹² Reddin, Mike, "Local Authority Means-Tested Services," in Townsend, Peter, Mike Reddin, and Peter Kaim-Caudle, eds., *Social Services For All? Part One* (London: Fabian Society, 1968) p.12.

The Royal Commission on the Poor Laws noted 'the inconsistencies of policy and inequalities of execution of the different Local Authorities, with regard to the personal assessments levied on the families with whom they dealt'.⁵⁹³ Their response to this problem was the opinion that 'we do not think that the policy of charging or not charging ought to be left to be determined by the Local Authority at all'.⁵⁹⁴ For the following reason:

'The charge is a compulsory levy, to be enforced by all the power of the law. These special assessments upon individuals in respect of particular services, as to the acceptance of which they have practically no option, amount, in reality, to taxation; and taxation is a matter upon which, if only for the sake of geographical uniformity, the decision of the Legislature should prevail. ... The work of adjudicating upon particular cases - of assessing how much each person should pay, or whether he should be excused on the ground of poverty - appears to us no less unsuitable for a local administrative body than the general decision of whether or not the tax should be levied at all'.⁵⁹⁵

Also, people do not like local variation in rates of benefits. As the NUS stated: '... it is one of our main aims that the accident of residence will make no difference whatsoever to the rate of grant received by the student. Just how much the factor of residence influences the grant awarded to a student may be gathered from our survey of Local Education Authorities ... we look forward to the day when a unified

⁵⁹³ Wakefield, H. Russell et al., *Royal Commission on the Poor Laws: Minority Report* (1905) p.310.

⁵⁹⁴ Wakefield, H. Russell et al., *Royal Commission on the Poor Laws: Minority Report* (1905) p.310.

⁵⁹⁵ Wakefield, H. Russell et al., *Royal Commission on the Poor Laws: Minority Report* (1905) p.310.

system is applied to University Grants'.⁵⁹⁶ In 1979 academics were still recommending that local authorities should agree a common assessment scale for their means-tested services.⁵⁹⁷

6.1.10 Administering body

Another difference between benefits is the nature of the body which administers them 'on the ground'. Where the DSS (and its predecessors) was involved in administration of a benefit it was traditionally a defender of the interests of those on benefits. But these four non-subsistence benefits were not all administered by the DSS. LEAs were primarily concerned with providing education, and were less interested in identifying and following-up apparently needy cases.

Civil legal aid used to be assessed by the Department of Social Security (and its forebears), but was transferred in the 1990s to the responsibility of the Legal Aid Board, part of the Lord Chancellor's Department, in order to exercise more control from within the organisation.

6.1.11 Degree of discretion

Means tests vary in the degree of discretion and sensitivity to individual circumstances allowed. This can either operate to make the system more generous, or less. The tests administered by the NAB and SBC tended to be open to making discretionary allowances for various types of expenditure. The Legal Aid Board tended to use discretion to restrict eligibility in the case of applicants who seem to have expensive goods, such as boats and cars, which are not normally taken into consideration.

⁵⁹⁶ National Union of Students, *1955/56 Survey of Local Education Authority Awards to Students and Grants Year Book* (London: NUS, 1956) p.7.

⁵⁹⁷ Gasson, D.M., "Fees and Charges in the Personal Social Services," in Gibson, J.G., ed., *Fees and Charges in the Personal Social Services* (Birmingham: Institute of Local Government Studies, University of Birmingham, 1979) p.57.

There is a conflict between the goals of meeting individualised need and providing uniformity of benefits. The advantage of discretion is that it allows sensitivity to individual circumstances. However, use of discretion takes up staff time and is a source of grievance among recipients. Another drawback is that a greater degree of discretion makes the means test harder for people to understand. Discretion was the critical focus towards which the welfare rights movement mobilised its efforts. The CPAG campaigned for subsistence benefits to have more transparent rules and less discretion, in order to make potential applicants more confident to apply, and promote the idea of 'welfare rights'. Thus, discretionary grants have contributed to the politicisation of means tested benefits.

6.2 Disposable income

How are we to discriminate between those reluctant to pay and those who cannot afford it? It is tricky to identify who could not afford the item, since different families have different spending priorities. Perhaps the only way round this is to use a sample family budget to determine reasonable outgoings. Then the issue becomes one of how the 'sample budget' is constructed.⁵⁹⁸ Nevertheless, the basis for many means tests is the concept of 'discretionary income'; income whose disposal is at the discretion of the applicant. The discretionary income of non-eligible people would not necessarily be spent on prescriptions, legal expenses, and so on. But that does not matter, as long as the people not eligible for benefits could afford it, if they adjusted their spending priorities. The next question in designing a means test is: how far should people be expected to change their spending priorities?

Nearly all means tests are based on some variant of this structure:

$$\text{income} - \text{disregards/} \quad - \text{'requirements'}/ \quad = \text{'discretionary' income/}$$

⁵⁹⁸ The Family Budget Unit has undertaken this kind of research, and uses methods such as focus groups to come up with examples of 'reasonable' family budgets.

allowances

income limit

'residual' income/
'disposable' income

The concept of 'discretionary income' raises the issue of whether expenditure on these means-tested services can properly be regarded as an optional extra. Most assessment procedures accord this a grudging acknowledgement by 'tapering' the amount of discretionary income which is counted. In other words they do not insist on all the discretionary income being available to pay for the service (see page 237).

The income limit is the element of the means test people would be most likely to be aware of. The income limit usually varied according to family size and the ages of any children. The income limits of some means tests, or 'requirements' as they are sometimes also called, were based on Income Support levels. For instance, the requirements levels for free prescriptions were based on Income Support. Such means tests adopt the principle of using Income Support procedures to establish a subsistence level, then disregarding a certain amount above that level to make it more generous than Income Support. Income over and above the limit set in the means test is assumed to be available for spending on whatever the applicant chooses - including the services at issue in this study. This may not be appropriate as Income Support is designed as a minimum subsistence level income. It may therefore be inappropriately low in other contexts, such as paying legal fees.

6.2.1 Requirements

Benefits were affected by the number of children, but in different ways for each benefit. Most means tests had some form of minimum income which it was assumed that claimants needed for basic living, called 'requirements'. This varied with age and number of people in the family. It is difficult to compare the requirements for adults between means tests, because of the different expenses allowances made. For example, the

student grant means test made no deduction for mortgage capital payments or local taxes, but compensated by having a higher income limit. It is, however, somewhat easier to compare requirements for children.

Table 6-1 Income requirements for children of different ages as allowed under various means tests, 1985 (£)⁵⁹⁹

1985 (£) Each child aged:	Prescription medicines	Civil Legal Aid	Student grant
0-4	9.6	14.40	1.73
5-10	9.6	14.40	1.73
11-12	14.35	21.52	1.73
13-15	14.35	21.52	1.73
16-17	17.30	25.94	1.73
18	22.45	33.67	1.73
Dependent over 18	22.45	33.67	21.73

Table 6-1 shows that the means tests take differences in family size into account in different ways. Student grants, in particular, have a much lower allowance for the cost of children. The requirements for free prescriptions are the same as for Income Support. The requirements for legal aid have been set at 1.5 times the level for Income Support.

6.2.2 Disregards and allowances

Usually in a means test, some components of income and expenditure are disregarded or allowed (not counted). Means tests differ in the way they allow for expenses and other outgoings such as work expenses and child-care costs. It is therefore necessary to look at more than the value of the benefit and the income limit to gauge how generous a benefit is: income disregards and capital limits matter too. A government can raise the 'headline' income limits, but if the allowances and disregards are frozen, or reduced, this can cancel out the effect of raising the income levels in a way which is not apparent. This is one of the reasons why

⁵⁹⁹ School meals are not shown in the table as eligibility for them was based on SB or FIS receipt and there were not income 'requirements' for children under FIS. Instead there were 'prescribed amounts' and the amount of FIS payable was half the difference between the recipient's income and the prescribed amount.

microsimulation modelling is an effective way of comparing means tests: it enables one to take into account changes in the disregards by actually calculating eligibility for many different families in different circumstances.

Allowances for expenses in a means test are meant to reflect unavoidable expenditure. The items that are allowed can tell us what 'society' regards as essential normal expenditure. For example despite the extra expenditures of a tropical fish enthusiast they are not regarded as disregarded when assessing financial need because society does not consider ownership of tropical fish as necessary to take part in our society.⁶⁰⁰ Who determines that some people have unmet needs of such importance that the state should step in? In fact, at this level of detail, the judgments have been made by a faceless government official, perhaps influenced by academics: no survey of what 'society' thinks has been carried out. Such policies may be incremental, or clearly defined and prescriptive, or may evolve from the continuous activities of administrators. But in each case administration process is suffused with values.

Means tests also make disregards from income and expense allowances out of the desire not to discourage thrift, work and certain other desirable behaviours. Essentially, disregards and allowances act to reward certain types of behaviour. I have listed below the implications of each disregard used in the four means tests I studied.

Income disregards:

- *Earnings* disregards enable a person to keep an amount of earnings without affecting entitlement to benefit. This privileges people who work. An earnings disregard recognises work-related expenses and

⁶⁰⁰ This example is from Butterworth, Eric and Robert Holman, eds., *Social Welfare in Modern Britain* (Fontana / Collins, 1975) p.72.

also encourages work by increasing the income gap between those in work and those not in work. It also produces a taper as people increase their income by moving into work. Giving separate disregards for husbands' and wives' earnings puts couples where both work at an advantage over those where only one partner does all the work, and recognises childcare costs for working mothers.

- *Earnings deduction* disregards cover income tax and National Insurance because they are unavoidable expenditure for someone who works and not to disregard them might discourage potential applicants from paid work.
- *Unearned income* disregards cover investment income, maintenance payments, income from lodgers, occupational and personal pensions. This privileges people who have got some form of economic independence from the state, usually through the ownership of capital.
- *Student grant and loan* disregards privilege being a student in receipt of state support over being a fully self-funding student. In the case of the student loan a disregard may be justified as the income is a loan against future earnings, rather than real income. The student grant disregard kept students a little bit better off than those on welfare benefits. The amount relative to the other income disregards suggests how far studying was favoured above other occupations.
- *Disability benefit* disregards are based on the idea that disability benefits exist to cover the extra expenses of having a disability and should not be regarded as being available for other expenses. For student grant applicants, the applicant's child benefit was not counted, because that money was ear-marked for the children of the applicant.
- For student grant applicants, *pensions and social security benefits* were not counted. It is not clear why social security benefits should be

ignored as income, unless it is assumed that the amounts involved are so small in relation to the means tests for student grants that they are not worth including.

- *Housing and council tax benefit* were not considered income in most means tests because they are ear-marked for housing expenses.

Expenditure allowances:

- *Domestic help* allowances to cover the cost of childcare and/or cleaner where there was only a single adult was to enable a single parent to stay in work. In some means tests, single parents or mothers were allowed to keep more of their earnings, to compensate for the extra costs associated with working for single parents or mothers.
- *Housing costs* might be allowed because the actual cost of housing varies widely in different parts of the UK among otherwise similar families. If rent was deducted, it was usually all rent. Some means tests deducted mortgage interest and capital, and some only interest. Interest is the minimum that a mortgage-holder needs to pay in order not to lose the house. The legal aid means test also allowed for housing repair costs and house insurance. If housing costs were not deducted, or were capped, this would be the equivalent of saying that some people were expected to move to cheaper accommodation, rather than receive benefits. Some means tests only take into account the housing costs of the claimant up to a point. For example, the legal aid means test had a cap on the mortgage payments that were allowed. In effect, the means test designers decided what was a 'reasonable' proportion of family income to spend on housing costs.
- *Local taxes* (council tax, rates) might be allowed because they were not discretionary, at least in the short term. Some means tests also deducted water and sewerage charges.

- An allowance for *maintenance payments* to a former spouse enabled applicants to meet their legal obligations.
- An allowance for *life insurance* was intended to encourage people to make life insurance provision.
- An allowance for payments into an *occupational or personal pension* encourages people to make that provision. The prescriptions test in 1995 only allowed half of such contributions, possibly because they are to some extent discretionary expenditure.
- *Work related expenses* such as travel to and from work and trade union subscriptions aimed to preserve the incentive to stay in work, rather than have complete benefit dependency.

Table 6-2 Disregards and allowances, 1985

Disregard/ allowance	School meals (based on FIS receipt ⁶⁰¹)	Prescription medicines	Student grants	Civil legal aid
Income disregard				
unearned income	see note ⁶⁰²			✓ £4
earned income	see note ⁶⁰³	✓ £4 applicant and £4 spouse		
social security benefits	✓ child benefit, one-parent benefit		✓	
disability benefits (e.g. AA/MA)	✓	?		✓
payments rec'd under covenant			✓	
capital	✓	✓ up to £3000		✓ up to £3000

⁶⁰¹ Receipt of free school meals in 1985 was based on receipt either of Supplementary Benefit or Family Income Supplement. This table is based on FIS receipt, then more generous of the two.

⁶⁰² The adjudication officer had a wide discretion in how s/he calculated normal weekly income from sources other than earnings for FIS. See Child Poverty Action Group, *National Welfare Benefits Handbook 1986*, 15th ed. (CPAG, 1985) p.150.

⁶⁰³ FIS was an in-work benefit, payable on the basis of the difference between the recipient's earnings and so-called 'prescribed amounts', so the concept of an earnings disregard does not really apply.

Table 6-2 Cont.

Earnings deduction allowances				
income tax		✓		✓
national insurance contributions		✓		✓
occupational pension contributions		✓		✓
personal pension contributions				✓
Housing cost allowances				
rent		✓ 'reasonable'	✓	✓
mortgage interest		✓ 'reasonable'	✓ up to amount for which tax relief given	✓ 'reasonable'
mortgage capital/endowment policy				✓
rates/council tax		✓		✓
Other expenses allowances				
work expenses	✓	✓		✓
life assurance premium		✓ 'reasonable'	✓ half	
domestic help/child care		✓	✓ for single parents	
maintenance payments made				✓
special diet		✓		
HP repayments		✓ 'reasonable'		
extra heating		✓		
house repairs and insurance				✓
school fees				✓

One might expect means tests at the lower end of the income scale to have more disregards and allowances because it is more important to be sensitive to individual circumstances at the lower end of the income scale, where the overall income limits are lower. However, although there are fewer allowances and disregards for student grants, civil legal aid (for which some 65 per cent of families were eligible in 1985) had as many allowances and disregards as the other benefits, which were aimed at people on low incomes. Allowances and disregards add significantly to the complexity of the means test (see section 6.4 below). They therefore contribute to the work involved in administering the means test and the

lack of transparency for potential claimants, which in turn, lowers take-up (see chapter 3).

6.3 Treatment of savings

In some means tests, there was no automatic capital cut-off which affected eligibility. Some tests assumed income from capital, which acted as a taper, rather than a sudden cut-off. Table 6-3 illustrates the maximum capital levels for entitlement of the four benefits which are the subject of this study using one family type.

Table 6-3 Maximum capital for a single person aged 40 with 11 year old child and no earned income still to be eligible

(1985 prices (RPI))	1975	1985	1995
Prescription medicines	£10050 (tariff for capital over £900) Affected by no. and age of dependents.	£2000 (cut-off)	£5080 (tariff between £1900 and £5080, and cut-off at £5080)
School meals	No maximum	Family Income Supplement maximum capital (i.e. no maximum).	Income support maximum capital (£1900)
Student grants	No maximum	No maximum	No maximum
Civil Legal Aid	Full eligibility: £2700 Partial eligibility: £5330 (cut-off, or taper if disposable income below £1040) Depended on no. of dependents and disposable income.	Full eligibility: £3000 Partial eligibility: £4500 (cut-off)	Full eligibility: £1900 Partial eligibility: £4280 (cut-off, with taper for pensioners with disposable income below £1540, depending on age and disposable income.)

There is little pattern in the capital limits for eligibility, either over time or for an individual benefit. However, there seems to have been a trend in the mid-1990s to set the capital limit for all the means tests at the Income Support capital limit (£1900 in 1985 prices). People with low incomes but substantial capital did better under the means test for prescriptions in 1975 than in 1985, because in 1985 there was a cut-off, instead of a tariff

income. In particular, the automatic cut-off adversely affects retired people who live off their income from capital. A relatively large amount of capital produces a quite small income. It discriminates in favour of people who use a capital sum to buy an annuity, rather than managing their investment themselves. Retired people who live off their wealth probably do not view the capital as available for spending: they spend the interest but do not touch the capital.

Some of the means tests assume an unrealistically high rate of income from savings. This discriminates against people who have savings. It is one of the biggest weaknesses of the means testing system - that there is little incentive to save unless you will have an income high enough to put you out of the scope of benefit receipt.

Table 6-4 Rates of (nominal) interest implied by income from capital assumed by means test⁶⁰⁴

	1975		1985	1995	
Prescription medicines	< £325:	0%	N/A	< £3000:	0%
	£325-£800:	0.7-6.5%		£3000-£8000:	1.6-13%
	> £800:	6.5-10%			
School meals	N/A		As for FIS i.e. actual income.	IS tariff income i.e.:	
				< £3000:	0%
				£3000-£8000:	1.6-13%

In calculating capital, some means tests disregard the value of the applicants' dwelling house. This means that the person does not have to sell their house in order to be eligible for benefit. It privileges homeowners because other forms of saving are not protected in the same way. In addition, housing wealth is often treated more favourably than other forms of saving.⁶⁰⁵ This reflects the importance of home ownership in

⁶⁰⁴ Rate of interest on the whole capital amount, *not* marginal rate of interest.

⁶⁰⁵ There was an awareness of this bias. For example, Mrs Doris Fisher in a written parliamentary question asked the Secretary of State for Education and Science if she was satisfied that 'the regulations regarding student awards as it relates to the assessment of parental contributions operate fairly as between tenants of property and owner-

British society. The value of household furniture and personal clothing are not counted. A persons' tools of his trade are not counted, because they might have to stop work if they had to sell their tools. The legal aid means test counted the surrender value of life insurance policies.

6.4 Complexity of the means tests: a statistical analysis

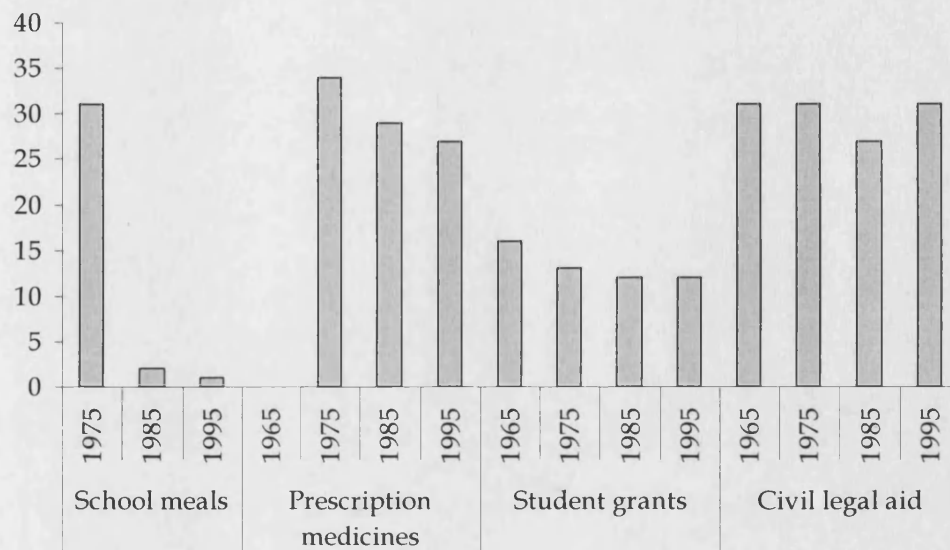
There have been consistent complaints about the complexity of the claiming procedure.⁶⁰⁶ Improving information can only do so much to increase take-up. The best hope for improvements in take-up is to simplify the process of claiming or simplify the benefits themselves. 'The more precisely targeted a means-tested benefit, the greater the complexity of rules is likely to be, to make sure it reaches the target population'.⁶⁰⁷ I documented the means test for each of the four benefits as at 1st October 1965, 1975, 1985 and 1995. Some idea of the complexity of the means test can be obtained by using the number of different pieces of information the administering body asked the applicant to supply as a proxy for the complexity of the means test.

occupiers'. *House of Commons Hansard*, v.827, 2 December 1971, Written Answers, cols.150-1.

⁶⁰⁶ For example, Mr Murray, in asking a question to the Secretary of State for Education and Science referred to 'very long double-sided forms which ask lots of complicated questions, such as that ... issued by the Kent Education Committee.' *House of Commons Hansard*, v. 722, 4 November 1968, col. 486.

⁶⁰⁷ Corden, Anne, *Changing Perspectives on Benefit Take-Up* (London: HMSO, 1995) p.14.

Chart 6-1 Number of pieces of information required by means test (by benefit)



Note: In 1965 there was no means test for prescription medicines. Information was not available about the means test for free school meals in 1965, as each LEA had its own test.

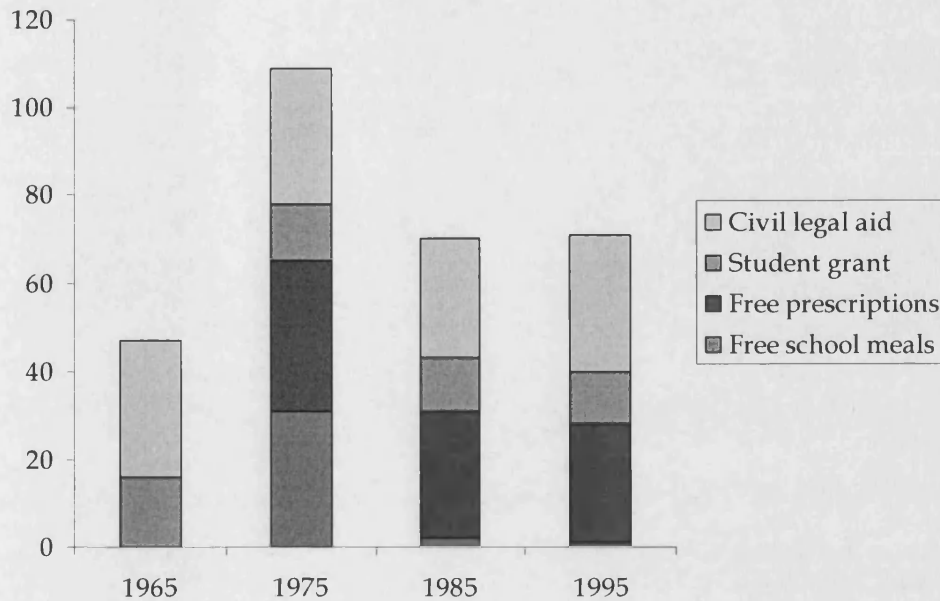
The results (see Chart 6-1) showed no overall pattern in the complexity of the means tests. For the student grant, the number of pieces of information required was generally fewer than those for civil legal aid and pharmaceuticals. Student grants and civil legal aid have not changed as much as the other two benefits with regard to complexity.

The overall peak of complexity of the system was 1975. The reason may

ite was only developing in the 1950s and 1960s, but the welfare state' led to cut backs. The simpler of the 1980s and 1990s is driven by the much gibility for free school meals. But this is not nce', because restricting eligibility to passporting IS and FIS is a way of cutting back eligibility.

be that the welfare sta by 1985, 'the crisis of means testing system simpler system for eli analogous to an 'adva recipients of NA/SB/

Chart 6-2 Number of pieces of information required by means tests in different years



Note: The results for 1965 need to be treated with caution because in 1965 there was no means test for prescription medicines and information was not available about the means test for free school meals in 1965, as each LEA had its own test.

6.5 Conclusion: "Designing a means test is not just a technical exercise – it is value-laden"

There are good reasons for using means tests, and it seems reasonable to target social security benefits on those most in need. The problem is to make the means test reasonably good. It has been recognised for some time that: 'It is by no means easy to devise a means test that is fair to all'.⁶⁰⁸ Arguably it is impossible. It may appear that identifying those in need simply depends on technical know-how. However, means tests inevitably favour some sorts of lifestyles over others, and therefore involve political decisions.⁶⁰⁹ Targeting is much more a political exercise,

⁶⁰⁸ Piachaud, D., "The Means Test Morass," *New Society* 59, no. 1006 (1982): 307-308 p.308.

⁶⁰⁹ This point is demonstrated in Travers, P. and S. Richardson, "The Elusive Quest For Those Most in Need," *Australian Journal of Social Issues* 30, no. 3 (1995): 335-349.

and less a technical one, than first appears. The differences between means tests involve embedded values. As an example, decisions about whose income to take into account implies moral judgements. Should men and women who are co-habiting have a financial advantage over husbands and wives?

It has been shown that there are families who are eligible on one income scale, but ineligible on another, equally plausible, one.⁶¹⁰ This demonstrates how the design of the means test in practice can affect its outcomes. It also shows how far subjective judgements are involved in means test design. People wrongly distinguish between the political judgements of politicians and the rational advice given by civil servants on such matters as how to target benefits to the truly needy. Politicians do not involve themselves with the detail of the means tests' rules. However, the components of income that are assessed and the allowances for expenses that are made are implicitly political decisions.

This does not mean that they are conscious and pro-active values, however: it could well be the case that the resulting implicit values are mistakes, or were never consciously considered. Unfortunately, it was not possible in this research to get 'inside' the details of such policy processes. To answer questions such as: 'Who changes the rules, and on what basis? How well do the policy designers know what the outcomes will be, and do they care?' would involve interviewing civil servants. But however the implicit values are arrived at, the misconception that means testing is a technical exercise to be carried out by civil servants nevertheless ignores the varieties of means testing. In conclusion, means tests should not be seen as a value-neutral way of helping the most deprived.

⁶¹⁰ Travers, P. and S. Richardson, "The Elusive Quest For Those Most in Need," *Australian Journal of Social Issues* 30, no. 3 (1995): 335-349.

7 The outcome of means-tested benefits I

This chapter focuses on the outcomes of the benefit system, as opposed to the changing principles and legislation. The study of outcomes is important because the way in which a government's intentions are put into practice do make a difference. The way in which the benefit was delivered was itself part of policy, and reveals who, in practice, was thought to be needy. This chapter and the following chapter are primarily a quantitative analysis: I examined at the micro-level the outcomes of selected means tested benefits, with the emphasis on the numbers and kinds of people eligible. I examined in detail the structure and operation of the means test at several points in time, namely 1965, 1975, 1985 and 1995. To do this I used the technique of microsimulation modelling. In this chapter I present the results on the overall numbers of people eligible. In the next chapter I give a more detailed breakdown of the characteristics of entitled and non-entitled families.

7.1 How many people were eligible?

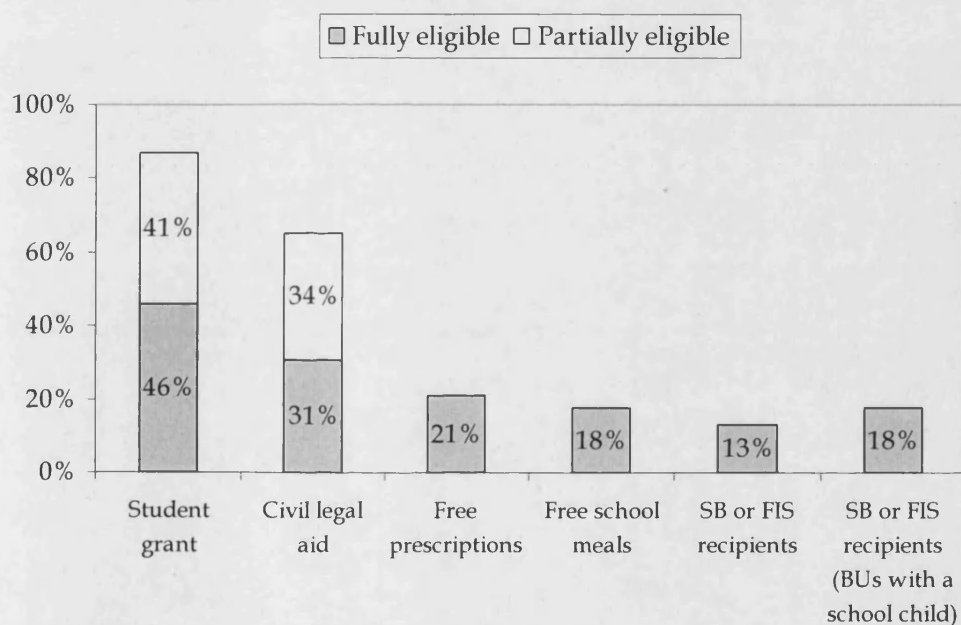
I calculated actual numbers eligible in the population in 1975, 1985 and 1995. The availability of these figures is necessary to achieve fuller insight into the means-testing system. By 'eligibility' I refer to theoretical eligibility to receive a benefit and there are many reasons why eligible people may not claim their entitlements.⁶¹¹ An example of a question which could not be answered at the time, but could now be, based on my estimates of eligibility, is: 'what would have been the annual cost of the take up of their entitlements of all those persons or families entitled to the range of available means-tested benefits?'⁶¹²

⁶¹¹ See Chapter 3 section 3.3.1.

⁶¹² Paraphrasing of a question asked by Mr Meacher, *House of Commons Hansard*, v.828, 17 December 1971, Written Answers, col.217. Sir K. Joseph replied 'I regret ... it is not possible to provide such an estimate'. I have chosen not to follow up this question in this

Chart 7-1 shows the numbers of people eligible for my four benefits in 1985. This establishes the relative reach of the benefits. For comparison, I have included the number of families in receipt of social assistance. The student grant was the most generous in terms of numbers of people theoretically eligible. Free school meals applied to the fewest families, but 18 per cent is still a relatively large section of the population. The social assistance bars show what the lowest conceivable scope of the non-subsistence benefits would be, if it is accepted that social assistance represents the smallest income a family could get by on.

Chart 7-1 % of BUs eligible for means tested benefits in 1985



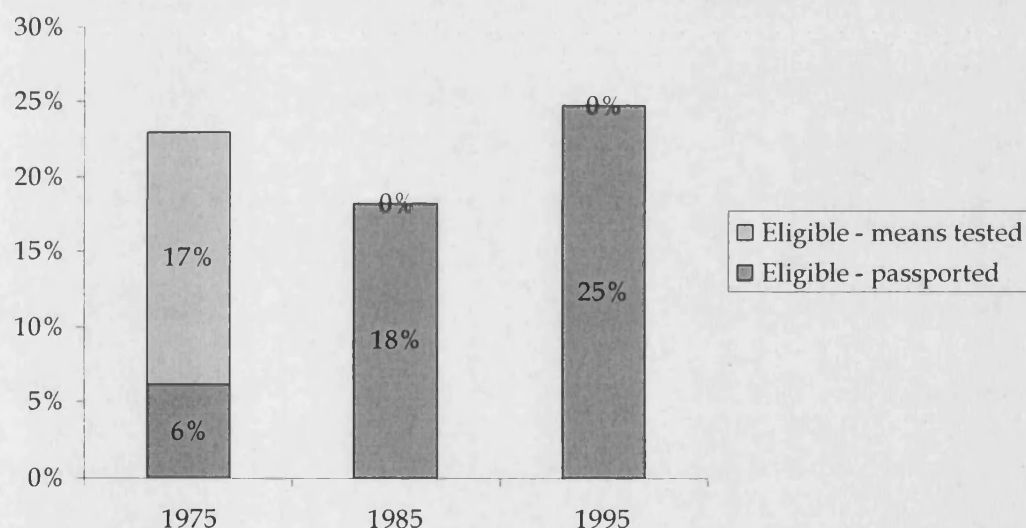
The following charts by benefit type show how eligibility changed over time. The results presented here show how many families, so-called 'benefit units' (BUs), were theoretically eligible, except for free prescriptions where it is particularly appropriate to show how many individuals were eligible, and school meals where it is informative to

study, however, it would be possible to address this question using my eligibility estimates and published sources on the cost of providing the benefits.

show how many children were eligible.⁶¹³ Where there was a passport benefit I passported eligible people.⁶¹⁴

Chart 7-2 shows the proportion of families eligible for free school meals, which increased over time. However, it is probable that children might be disproportionately within worse-off families, so Chart 7-3 shows the proportion of children entitled. This does make a difference and reveals that the same proportion of children were eligible after the income means test was withdrawn, even though the number of families eligible had dropped by 5 per cent. In other words, using as a measure the proportion of children entitled, eligibility was stable between 1975 and 1985.

Chart 7-2 Free school meals - % of BUs actually eligible (with a school child) in 1975, 1985 and 1995



⁶¹³ A benefit unit (BU) is a heterosexual couple (married or cohabiting) or a single person, and any children they are responsible for. A child is defined as for receipt of Child Benefit i.e. as a person under 16 or aged under 19 and in full-time education.

⁶¹⁴ 'Passporting' is when receipt of one benefit (usually a social assistance benefit) gives automatic entitlement to other benefits.

Chart 7-3 Free school meals - % of school children actually eligible in 1975, 1985 and 1995

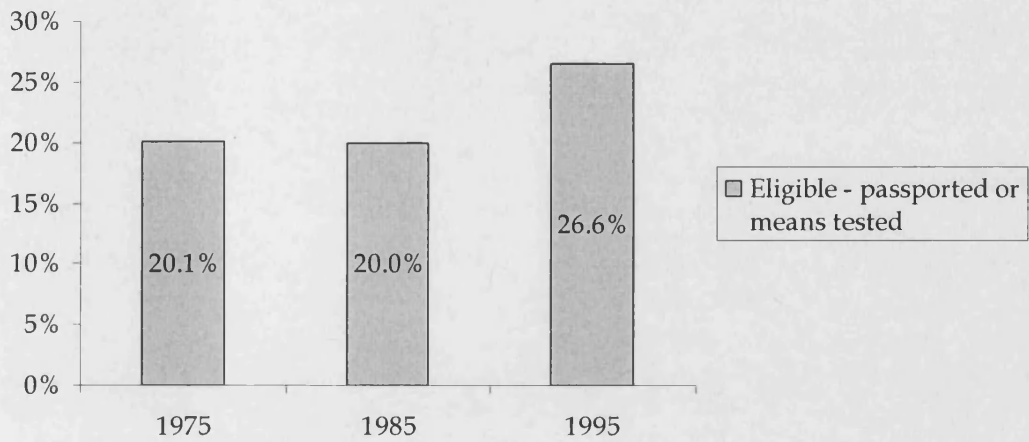
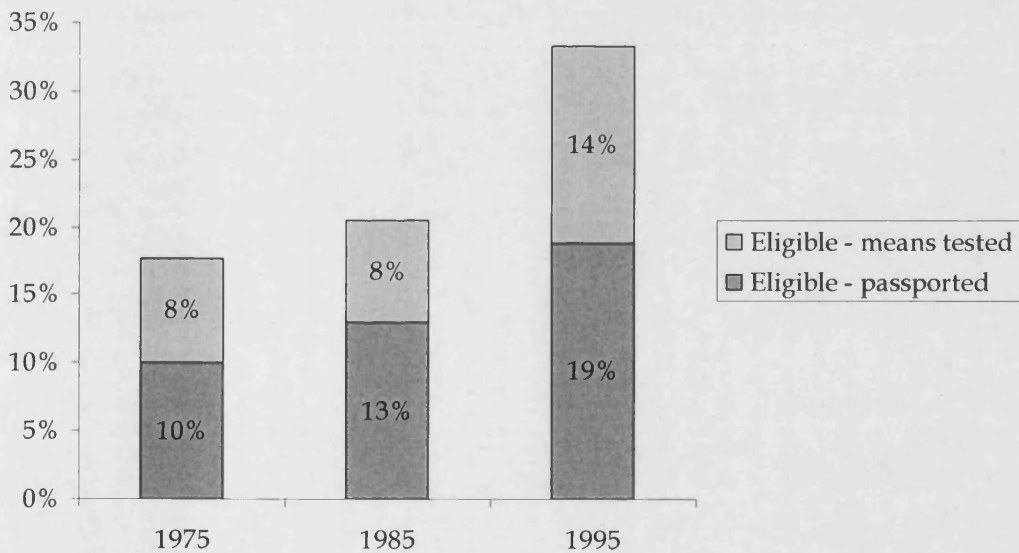


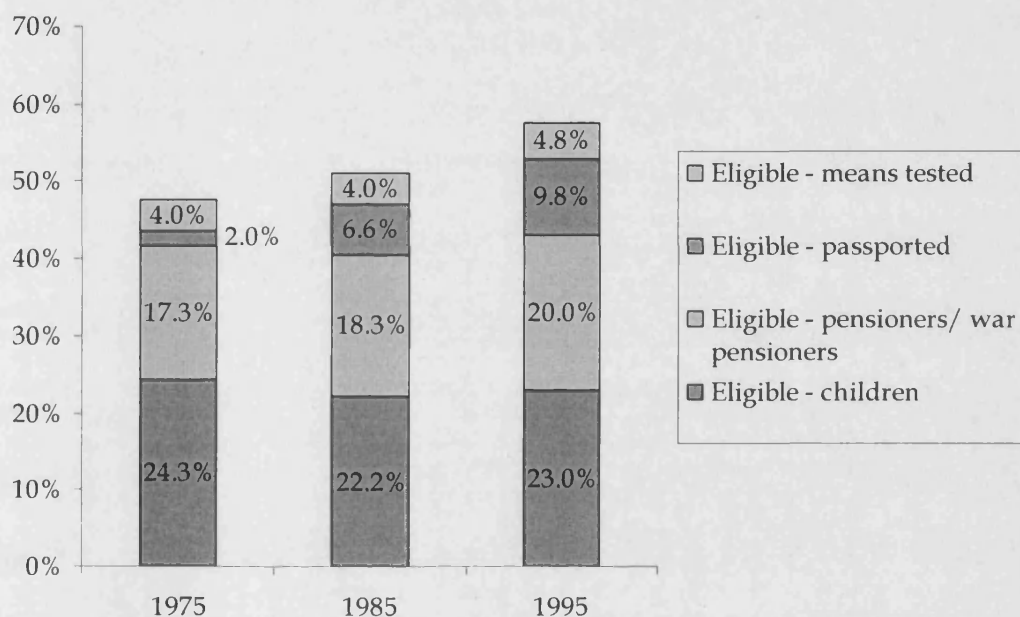
Chart 7-4 Free prescriptions - % of BUs actually eligible in 1975, 1985 and 1995



The number of families eligible for free prescriptions has risen over time, as shown in Chart 7-4. However, certain people automatically got free prescriptions anyway, based on their age and without a means test. Therefore, it makes sense to look at changes in individual eligibility given that some people had a status exemption. For Chart 7-5, the pensioner exemption, war pensioner exemption and exemption for children under

19 in full-time education were applied.⁶¹⁵ This shows how many more people were eligible other than on grounds of income, which demonstrates the significance of the status exemptions in raising eligibility to between 50 and 60 per cent of individuals. It also shows how the scope of free prescriptions exhibited less of an increase over time once status exemptions are taken into account.

Chart 7-5 Free prescriptions - % of individuals (adults and children) actually eligible in 1975, 1985 and 1995

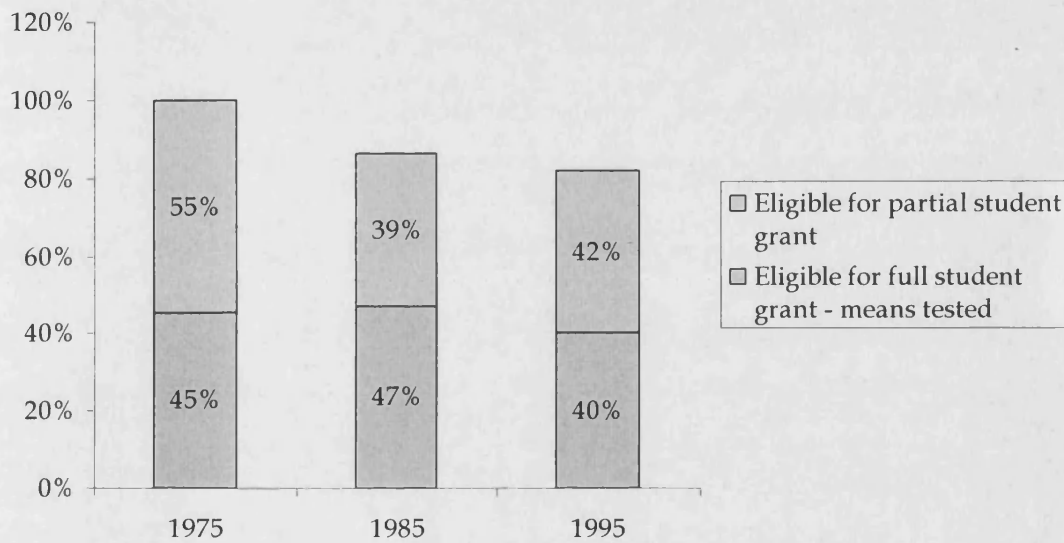


The numbers of families eligible for a student grant was very high, and declined slightly over a twenty year period. These figures only include benefit units which had a 17-24 year old living in the household or away at university, because this is the type of family most likely to apply for a student grant. However, in theory, anyone who could get a place on a university degree course could get a grant, even if they were a mature student. The proportion of families eligible in the whole population was even higher than that for those with a 17-24 year old. My data showed

⁶¹⁵ There were also exemptions for contraceptives and certain medical conditions, but it was not possible to ascertain eligibility for them from the data source.

100 per cent eligibility in 1975, which probably due to the relatively low size of the sample of families with a 17-24 year old, combined with the documented shortcoming of the FES to survey high-income families.⁶¹⁶ Nevertheless, even if the actual proportions need to be treated with caution, these reservations do not alter the general conclusion, which is that eligibility gently declined.

Chart 7-6 Student grant - % of BUs actually eligible (with a 17-24 year old in parental home or a student away from home) in 1975, 1985 and 1995

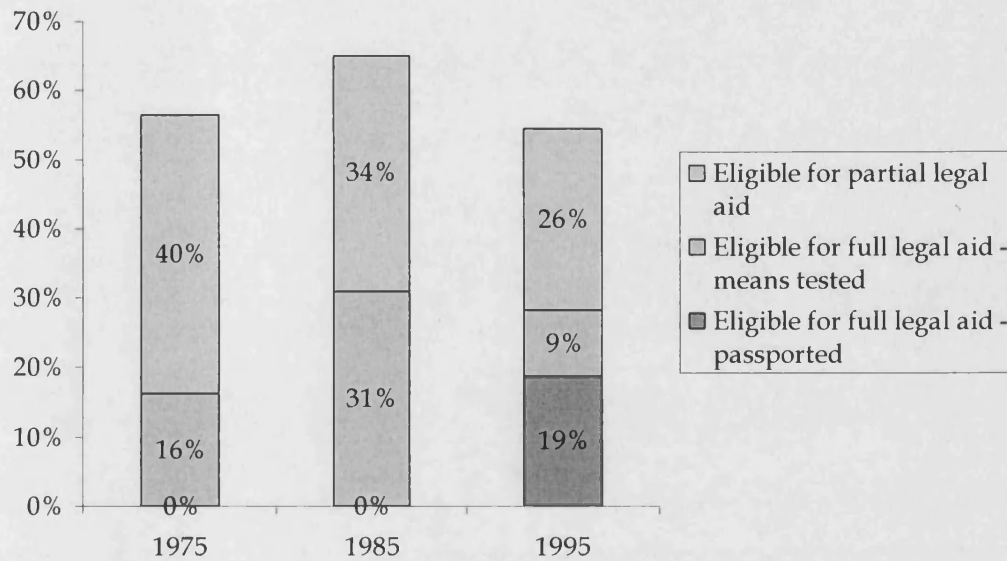


Note: The sample consists of benefit units which have a 17-24 year old living in the household, who is the son or daughter of the household head, and benefit units which were recorded as having paid either school fees, other fees, maintenance or parental contributions for a child aged 16-24 outside the household in the previous 3 months. This definition is the best I could do with the information available in the FES, which only surveys private households, not students living in institutions. This definition might introduce a bias because it excludes parents with a child who does not live with them and for whom they paid none of school fees, other fees, maintenance or parental contributions.

Chart 7-7 shows that actual eligibility for civil legal aid covered 65 per cent of the population at its peak in 1985.

⁶¹⁶ The sample of benefit units with a 17-24 year old were about 10 per cent of the total sample size. They were 1975 796 BUs, 1985 905 BUs, 1995 651 BUs.

Chart 7-7 Civil legal aid - % of BUs actually eligible in 1975, 1985 and 1995



Note: the means test had higher limits for personal injury cases, but that has not been taken into account in these estimates. Also, from 1990 children were eligible in their own right, rather than on the basis of their parents' income and capital, but these are family-level estimates and so do not take this change into account.

7.2 What were the effects of changes to the means tests?

This section answers the question: how have changes to the means tests' entitlement rules affected eligibility over time? In particular, I looked at how changes affected the entitlement of families at a given level of income.

In theory, one way to compare means tests is to examine the income level

1975 or 1995. I can use this modelling technique to ask 'what if the 1965 means test had been in force in 1985?' I used indices of prices and earnings to convert the monetary conditions of the 1965, 1975 and 1995 means tests into their 1985 equivalent. In this way the impact of changes in the means test rules on entitlement can be examined in isolation from the impact of socio-economic change.

The method of this section is therefore to consider the impact of the means test alone, in controlling for changes in the population to which the means test was applied. It is the changes in the rules which are of interest. All the results in this section are based on survey data from 1985. That is, the base population has been held constant. Thus, the results shown here (other than for 1985) show the impact on entitlement of changes in the means test rules only. The 1965, 1975 and 1995 means tests have been adjusted into their 1985 equivalent, so if overall numbers potentially eligible show an increase against 1985 incomes data, *it is not that the numbers of poor people increased*, but the net income level for entitlement, was raised.

The procedure I carried out is like benchmarking against an effective income threshold for entitlement; if the net income level for entitlement had remained the same, one would expect the percentages eligible under different years' means tests to remain the same (against 1985 data). If the entitlement threshold had been raised, to reflect the increased prosperity of the country as a whole, one would expect the numbers eligible against 1985 data to increase. Of course, the *actual* outcome of a means-testing system will depend on the means test used *and* the income characteristics of the population subjected to the means test.

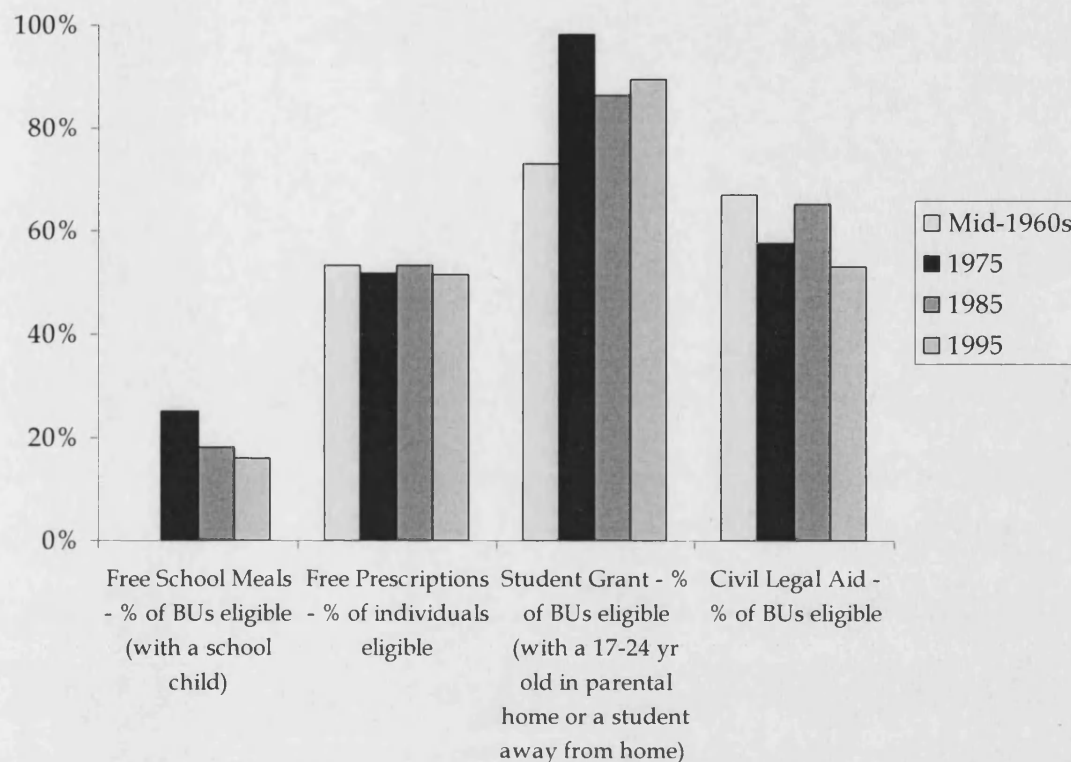
The main result is that the effective income threshold for eligibility for each benefit changed over time. This can be seen reading across the rows in Table 7-1 as a change in the percentage of the 1985 population who would have been eligible had the 1960s, 1975 or 1995 means test been in

use in 1985, compared with the means test which actually was in force in 1985. In effect, what this shows is that the income level at which people were considered to be in need of the benefit varied over time.

Table 7-1 Proportion of the 1985 population who would have been eligible had the 1975 or 1995 means test been in use in 1985

1985 population	Mid-1960s means test (Potential eligibility)	1975 means test (Potential eligibility)	1985 means test (Actual eligibility)	1995 means test (Potential eligibility)
School meals (% of BUs with school children eligible, eligibility based on either income or benefit receipt)		25%	18%	16%
Prescription medicines (% of individuals eligible, eligibility based on either income, benefit receipt or status)	53%	51%	51%	50%
Student grants (% of BUs with 17-24 year old in parents' home/student outside home eligible for either full or partial means tested grant)	73%	98%	86%	89%
Civil Legal Aid (% of BUs eligible for either full or partial benefit, eligibility based on either income or benefit receipt)	67%	58%	65%	53%

Chart 7-8 % of BUs/individuals in 1985 population who would theoretically have been eligible under mid-1960s, 1975, 1985 and 1995 means tests



I broke down the effect of changes in the means test rules on different groups of people. For example, I could identify whether changes in the rules tended to go in favour of 16-17 year olds, or maybe changes in the rules favoured pensioners. However, *actual* change from decade to decade in the number of 16-17 year olds eligible will depend on a combination of how the changes in the rules affect the proportion of 16-17 year olds eligible, the size of the 16-17 year old group, and the incomes of the 16-17 year old group. This section of my work identifies only how the changes in the rules affect the proportion of 16-17 year olds eligible. The

depend on number of pensioners relative to the number of 16-17 year olds, and the proportion of each group affected by the changing rules. *Actual* change in eligibility will also depend on the change in the size of the two groups, and the incomes of the two groups.

7.2.1. School meals

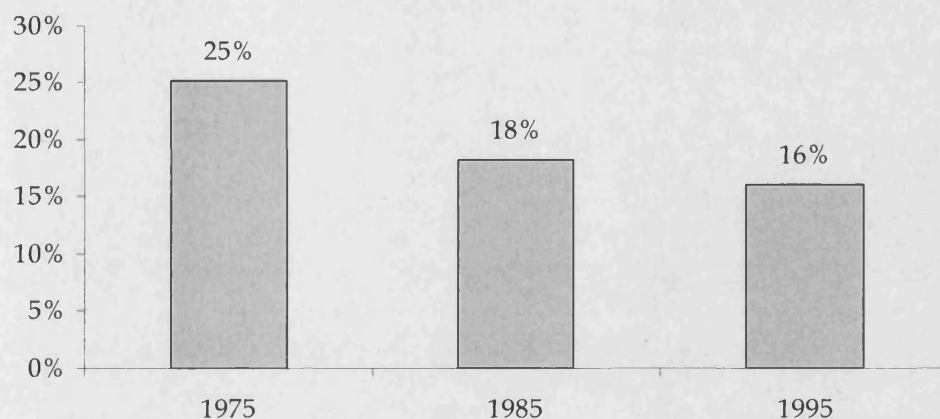
The number of benefit units in the 1985 population which would have been eligible for free school meals on the 1975, 1985 and 1995 means tests dropped from 25 per cent to 16 per cent when they are compared in 1985 terms. The fall in entitlement from 1975 to 1985 came about by the restriction of free school meals to children in families receiving either SB/IS or FIS/FC⁶¹⁷.

The limiting of free school meals to children in families receiving either SB/IS or FIS/FC effectively meant that the means test for free school meals was the same as the means test for those income maintenance benefits. I did not take into account in this analysis whether the means test for entitlement for SB/IS and FIS/FC had changed between 1985 and 1995, as my main concern was the separate means tests which exist for non-income maintenance benefits.

The further fall in entitlement from 1985 to 1995 was entirely the result of withdrawing eligibility for free school meals from families receiving FIS/FC. There were no 'winning' types of family from these changes in the rules.

⁶¹⁷ Supplementary Benefit (SB) replaced in 1988 by Income Support (IS), Family Income Supplement (FIS) replaced in 1988 by Family Credit (FC).

Chart 7-9 Free school meals - % of BUs (with a school child) in 1985 population which would theoretically have been eligible under different year's means tests (1985 base data)



The fall in the number of benefit units in the 1985 population which would have been eligible for free school meals on the 1975, 1985 and 1995 means tests demonstrates that the definition of those deemed to be in need of free school meals became more restricted over time.

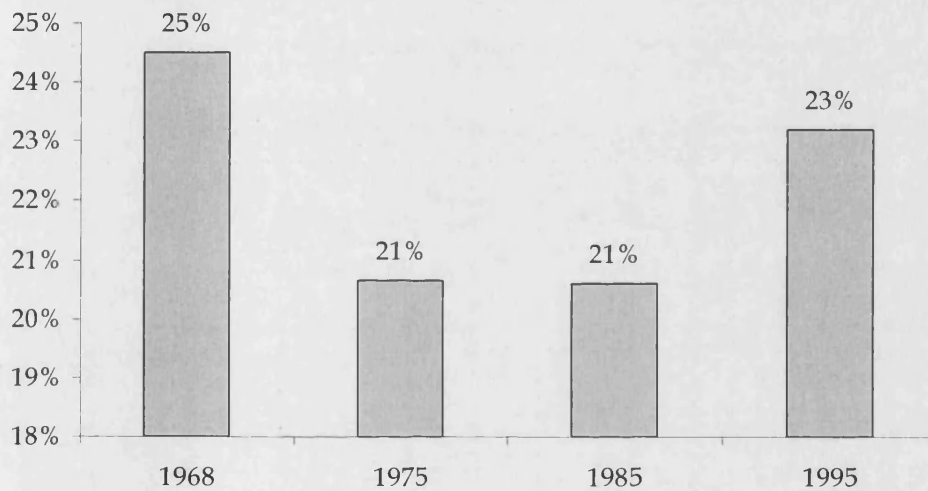
7.2.1. Prescriptions

The number of benefit units in the 1985 population which would have been eligible for free prescriptions on the 1975, 1985 and 1995 means tests, was about the same. In other words I found that there was hardly any net change in the income threshold for eligibility.

However, there were changes to the means test, but in different ways for different types of people, and the types of families which 'lost out' between the 1985 and 1995 means tests were balanced by other kinds of

majority of potential gainers were pensioner benefit units (96.5 per cent), whereas 99.5 per cent of those potentially losing out were non-pensioner BUs. The mean age of the benefit unit head in the type of benefit units 'gaining' eligibility was 72 years. The mean age of the benefit unit head in the kind of benefit units 'losing' eligibility was 24 years. This suggests that pensioners were starting to be considered more needful, and non-pensioners, especially 16 to 18 years olds, were regarded as less needy than previously.

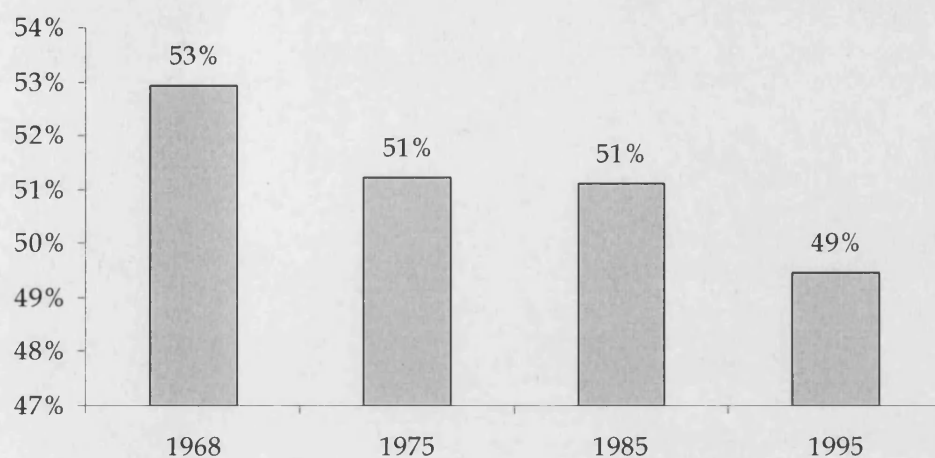
Chart 7-10 Free prescriptions - % of BUs in 1985 population who would theoretically have been eligible under different year's means tests (1985 base data)



However, pensioners automatically got free prescriptions anyway, based on their age and without a means test, as previously mentioned.

Therefore, it makes sense to also look at changes in individual eligibility given that certain groups had a status exemption already.

Chart 7-11 Free prescriptions - % of individuals (adults and children) in 1985 population who would theoretically have been eligible under different year's means tests (including status exemptions) (1985 base data)



The results showed a change from 53 per cent of people eligible in 1985 to 49 per cent of people eligible in 1995: virtually no net change. There were some family types which were gainers and losers, although the numbers of each more or less cancelled each other out. The gainers were other people living in a benefit unit with a pensioner. Although the pensioner themselves had a status exemption anyway, the more generous means test towards pensioners benefited the younger members of their family. The potential losers were mainly 16-18 year olds. The mean age of losers was 23 years.

About 10-18 per cent of the losers had actually received an item on a free prescription in the seven days before the survey was held.⁶¹⁸ This means that these people had actually gone through the means test and had need

⁶¹⁸ The number of free prescriptions is only known at the BU level. So, the free prescriptions may have belonged to a BU who did not lose out e.g. a child. The figure of 10% applies if I only count free prescriptions given to benefit units where everyone lost out (20 items divided by 192 benefit units in which at least one person lost). The figure of 18% applies if I assume that all the free prescriptions were being used by someone who subsequently lost out.

to make use of it in the week in 1985 when the survey was conducted.⁶¹⁹ The results show that these same people would not have been eligible in 1995. Probably even more than that percentage would have gone through the means test and obtained free items on prescription at least once in the previous six months or more, because there is more chance of being ill over a longer time period. This result is important because it shows that eligibility was denied to people who did actually take-up the benefit.⁶²⁰ Arguably, it is not so critical if benefit is withdrawn from people who did not avail themselves of it anyway, at least if you believe that level of take-up is an accurate indicator of need for the benefit.

The generosity of the means test rules for free prescriptions increased. The means test changed in different ways for different types of people: it did not become uniformly more or less generous. However, the microsimulation method reveals that the number of family-types which were 'gainers' outweighed the 'losers' in the 1985 population.

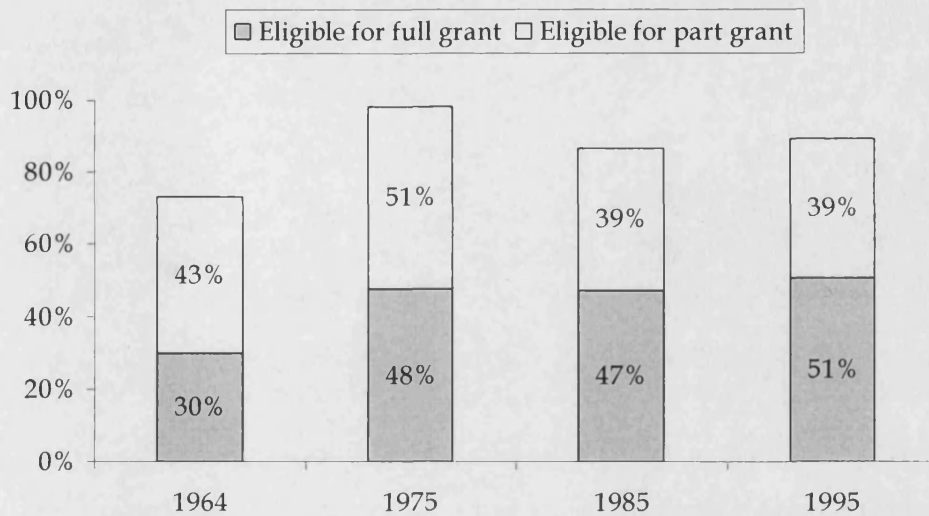
7.2.1. Student grant

The number of all benefit units eligible for a student grant remained roughly constant: the data indicated a change in eligibility from 99 per cent to 96 per cent. This shows that the impact of the rules barely changed. Theoretically anyone is entitled to go to university and apply for a grant, if they have got a university place. In practice however, most people applying for a grant would have been under 25, so it makes sense to look at eligibility among benefit units containing a parent of someone aged 17-25.

⁶¹⁹ If you exclude the possibility that the prescription was for contraceptives or the person had a medical condition entitling them to free prescriptions.

⁶²⁰ See previous footnote.

Chart 7-12 Student grant - % of BUs (with a 17-24 year old in parental home or a student away from home) in 1985 population which would theoretically have been eligible under different year's means tests (1985 base data)



The net change in eligibility between 1975 and 1985 consisted of 305 gaining benefit units and 434 losing BUs. The changes to the means test are so extensive that it was not possible to identify particular characteristics of the gaining and losing BUs. There were no family types which lost out from the change in the means test from 1985 to 1995.

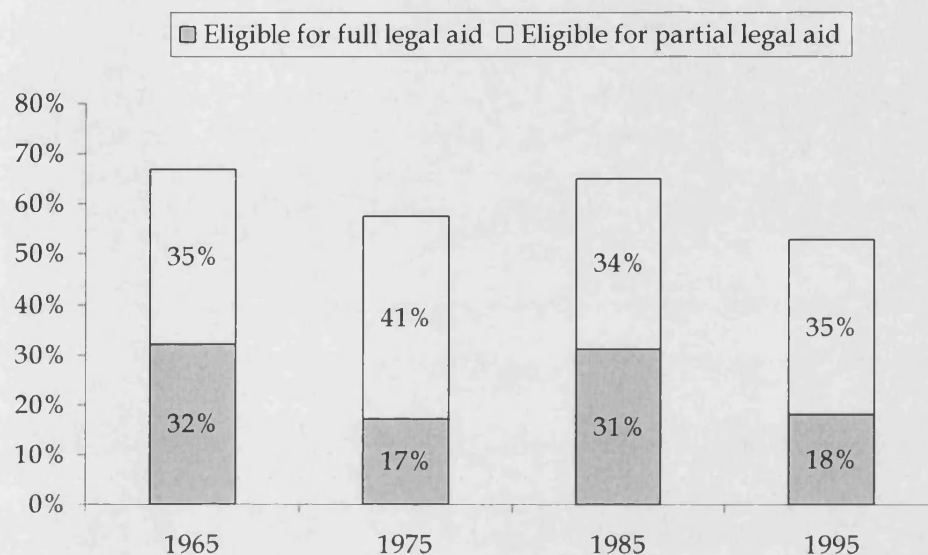
The generosity of the means test for student grants remained fairly constant over time. Political pressure to reduce expenditure went into decreasing the value of the grant received by those eligible, rather than by cutting numbers eligible.

7.2.1. Civil legal aid

From 1975 to 1985 there was a net increase in the income threshold for

units to 53 per cent. The tightening of potential eligibility for full legal aid was even more dramatic: dropping from 31 per cent of benefit units to 18 per cent.

Chart 7-13 Civil legal aid - % of BUs in 1985 population which would theoretically have been eligible under different year's means tests (1985 base data)



Among the types of families to gain from the rules change would be those who would benefit from the introduction of 'passporting' between 1985 and 1995. These are people who received income support in 1985, but were not eligible under the civil legal aid means test in 1985. Some of these are people with capital above the limit for legal aid (£4,500 in 1985), but below the limit for income support (£8,000 in 1985).⁶²¹

There are also people in the group gaining from the introduction of passporting who are recorded as receiving income support, but who seem to have rather high earnings. It is difficult to tell from the data why they are receiving it - their income appears to take them over the limits for receipt of income support. This could be because the question asked in the FES does not accurately obtain information about the current

⁶²¹ Although tariff income of £1 per week per £250 between £3000 and £8000 is assumed for Income Support purposes.

income of the self-employed, or of people who have just started or just stopped work. In the cases of high earnings, I suspected that the FES data may be inaccurate, and therefore such people would not in reality have gained from the change to passporting. The other types of people gaining by changes to the means test would be pensioners with up to about £25,000 of capital, but low incomes, because special capital limits were introduced by 1995 for this group.

Losing family types would be those which were affected by the general reduction in the income and capital limits. Another group which lost out was benefit units containing a spouse or children, as the allowances for family members were cut. Also losing out were people who had unearned income, as the disregard given to up to £4 of income from this source was withdrawn by 1995.

This result shows the importance of the definition of income and level of allowances. Often, it is only the 'headline' levels of the limits for disposable income which are reported. But changes in the way that disposable income is defined are politically easier to introduce, because they are less obvious to the casual observer. Thus, 748 out of 8026 benefit units in the sample lost out purely because the definition of disposable income had changed to have lower allowances for a partner and children. Policy-makers could have made an equivalent cut in eligibility by lowering disposable income limits, rather than changing the definition of disposable income, but that would, no doubt, have made them appear to be making harsher cuts.

The fact that eligibility for civil legal aid decreased in 1995 suggests the income boundary for eligibility for civil legal aid was pushed down again for political reasons, irrespective of need in the population. The results reveal that there was no consistent operational definition of 'need': the poverty threshold for the means test moved around, driven frequently by the desire to make overall expenditure cuts (see following chapter).

7.2.2 Summary of change over the period 1975-1995

The nature of changes to the means test as shown in these charts suggests two things. Firstly, the differing heights of the columns in Chart 7-8 shows there are substantial differences in the means tests used in each year, but also there was no coherent overall direction of means test policy.

Secondly, there was no uniform minimum income threshold for eligibility in operation in practice from year to year. In other words, it is noticeable that there was no consistent operational definition of 'need': the differing heights of the columns in Chart 7-8 show that the average income level for entitlement moved around. The scope of the types of families who would be eligible under the means test changed. But there appears to be no consistency between the benefits in the changes to the means test: some tests had their scope raised, and other had theirs lowered. Either the understanding of who was in financial need had changed, or financial need was not a significant factor in determining who would be eligible for these benefits. The causes of this changing pattern of eligibility are discussed in the following chapter.

'Need' for a specific item of consumption was also defined differently by different means tested benefits.

In conclusion to this section, the nature of changes to the means test rules have been isolated by controlling for changes in the characteristics of the population. It is the changes in the means test rules which have been of interest in this section. This goes some way to showing the extent to which changes over time in the incidence of these means tests were due to changes in administrative rules, and how much changes in exogenous socio-economic conditions were responsible, an analysis which I develop in section 7.3.

It shows that there was no coherent overall direction of policy: some means tests became more generous in terms of the average income level

for eligibility, others became less generous in this respect. There was no high point of generosity in the 1970s, an argument I take further in section 8.2.6.

The four benefits which I examined demonstrated very different patterns of change in entitlement over time. In section 8.1 I consider further the change in levels of eligibility over time in my discussion of middle class capture.

7.3 What drove changes in numbers of people eligible?

The results in the previous section are only half the story in explaining change in numbers eligible – the impact of changes in the underlying population will also be important. Demographic and social characteristics have changed significantly since the mid 1960s, and using microsimulation allowed me to determine the extent to which changes over time in the incidence of these non-income-replacement means tests was due to changes in administrative rules, and how much due to changes in exogenous socio-economic conditions. In other words, change over time in the numbers eligible can be broken down into that component accounted for by changes in the means test rules, and that component accounted for by changes in the characteristics of the population. For example, an increase in the proportion of families eligible for free school meals from one decade to the next could either be because the means test itself became more favourable, or because there were more families on low incomes.

This is an important kind of analysis because the sources of change in eligibility have at times been contested and controversial. For example, Lord Mackay suggested in a BBC 'Panorama' programme (17 April 1989)

that any decline in eligibility for civil legal aid might reflect rising living standards. The Legal Action Group disputed his assertion as 'unlikely'.⁶²²

In this section I undertook a 'decomposition analysis', which involves breaking down the effect of changes in the rules and changes in the characteristics of the population using the results from sections 7.1 and 7.2. For example, comparing actual eligibility in 1975 with the numbers which would have been eligible in 1985 if the 1975 means test uprated by prices had been in force tells us how many families had their eligibility affected purely by changes in incomes and family characteristics.

Comparing actual eligibility in 1985 with the numbers which would have been eligible in 1985 if the 1975 means test uprated by prices tells us how many families had their eligibility affected purely by changes in the means test conditions.

In what follows I discuss the sources of change in eligibility for each means test separately before comparing across benefits. The political drivers of change are discussed in the next chapter, chapter 8. In the following tables a negative value indicates a reduction in eligibility, a positive value an increase in eligibility. The absolute value of both sources of change equals 100 per cent.

⁶²² Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.24.

**Table 7-2 School meals - Eligibility at BU level (families with school children)
Eligibility based on income or benefit receipt**

Base data year	Means test rules year	% of BUs eligible	Change in % of BUs eligible	Change in eligibility accounted for (%)	
1975	1975	16.8%			
			8.4%	54.8	Change accounted for by socio-economic changes only
1985	1975	25.2%			
			-7.0%	-45.2	Change accounted for by means test rules only
1985	1985	18.2%			
			1.5%	100	Overall change 1975-1985
<hr/>					
1985	1985	18.2%			
			-2.1%	19.9	Change accounted for by means test rules only
1985	1995	16.1%			
			8.6%	80.1	Change accounted for by socio-economic changes only
1995	1995	24.7%			
			6.5%	100	Overall change

This decomposition analysis of free school meals shows eligibility increased from 1975 to 1995 because although rules tightened, there were more people on low incomes. The change in the rules between 1985 and 1995 which restricted free school meals to children in families on income support would have removed about 2 per cent of benefit units from eligibility. However, in actual fact, despite tightening the rules, more families were eligible for free school meals by 1995, because there were more families in receipt of Income Support than there had been in 1985.

Table 7-3 Free prescriptions - Eligibility at BU level Eligibility based on income or benefit receipt

Base data year	Means test rules year	% of BUs eligible	Change in % of BUs eligible	Change in eligibility accounted for (%)	
1975	1975	17.7%			
			3.0%	97	Change accounted for by socio-economic changes only
1985	1975	20.7%			
			-0.1%	-3.0	Change accounted for by means test rules only
1985	1985	20.6%			
			2.9%	100	Overall change 1975-1985
1985	1985	20.6%			
			2.6%	20.5	Change accounted for by means test rules only
1985	1995	23.2%			
			10.1%	79.5	Change accounted for by socio-economic changes only
1995	1995	33.3%			
			12.7%	100	Overall change

In the case of free prescriptions, the changes in the means test rules between 1975 and 1995 accounted for some of the increase in the proportion of families eligible. However, the changes in the income and other characteristics of the population were more significant in increasing eligibility levels.

Table 7-4 Student grant - Eligibility at BU level (families with a 17-24 year old in parents home/student outside home)

Base data year	Means test rules year	% of BUs eligible in total (full or part grant)	Change in % of BUs eligible	Change in eligibility accounted for (%)	
1975	1975	100.0%			
			-1.8%	-13.4	Change accounted for by socio-economic changes only
1985	1975	98.2%			
			-11.7%	-86.7	Change accounted for by means test rules only
1985	1985	86.5%			
			-13.5%	100	Overall change 1975-1985
1985	1985	86.5%			
			2.8%	27.2	Change accounted for by means test rules only
1985	1995	89.3%			
			-7.6%	-72.8	Change accounted for by socio-economic changes only
1995	1995	81.7%			
			-4.8%	100	Overall change 1985-1995

For the student grant, the changes in the means test rules between 1975 and 1985 accounted for most of the decrease in eligibility. However, between 1985 and 1995, the means test got slightly more generous, yet eligibility decreased still further as a result of changes in the income and other characteristics of the population. In particular, during the 1980s there was widening income inequality, which led to relatively more families on high incomes, high enough to push them outside the remit of student grants.

Table 7-5 Civil legal aid - Eligibility at BU level Eligibility based on income or benefit receipt

Base data year	Means test rules year	% of BUs eligible in total (full or part legal aid)	Change in % of BUs eligible	Change in eligibility accounted for (%)	
1975	1975	56.4%			
			1.3%	14.5	Change accounted for by socio-economic changes only
1985	1975	57.7%			
			7.4%	85.5	Change accounted for by means test rules only
1985	1985	65.1%			
			8.7%	100	Overall change 1975-1985
1985	1985	65.10%			
			-12.1%	-89.5	Change accounted for by means test rules only
1985	1995	53.00%			
			1.4%	10.5	Change accounted for by socio-economic changes only
1995	1995	54.4%			
			-11.34%	100	Overall change 1985-1995

Between 1975 and 1985 the rules becoming more generous accounted for most of the increase in eligibility for civil legal aid. Between 1985 and 1995 the rules were tightened, although some of that effect was counter-balanced by socio-economic changes which brought more families within the scope of legal aid. Table 7-6 shows this effect even more dramatically for full legal aid. Changes in the rules between 1985 and 1995 would have removed 12.8 per cent of families from eligibility. But, in fact only 2.6 per cent were removed from eligibility because the numbers of families on a very low income increased in this period.

Table 7-6 Civil legal aid - Eligibility at BU level for full legal aid Eligibility based on income or benefit receipt

Base data year	Means test rules year	% of BUs eligible for full legal aid	Change in % of BUs eligible	Change in eligibility accounted for (%)	
1985	1985	30.1%			
			-12.8%	-55.8	Change accounted for by means test rules only
1985	1995	18.2%			
			10.1%	44.2	Change accounted for by socio-economic changes only
1995	1995	28.3%			
			-2.6%	100	Overall change

Was Lord Mackay right that any decline in eligibility for civil legal aid during the 1980s might reflect rising living standards? Far from it! In respect of full legal aid, the stringent cuts made to the financial conditions after 1985 would have removed 12.8 per cent of families from eligibility. But because the number of people on low incomes increased, hardly any decrease in eligibility was in fact achieved. So, the Legal Action Group were correct that the financial conditions had got harsher, but ironically, this hardly affected numbers eligible because of other changes in the economy which had taken place.

Reading across the rows of Table 7-7 highlights how the amount of change attributable to changes in the means test and changes in the income and other characteristics of the population varied from means test to means test. Firstly, this is because the extent of change in the rules of each means test varied. Secondly, widening income inequality between 1975 and 1995 had the effect that the numbers eligible for benefits targeted at the lower end of the income scale increased. So, efforts to cut eligibility for free school meals or full legal aid were frustrated. On the other hand the numbers eligible for student grants actually decreased as a result of widening income inequality.

Table 7-7 Summary of decomposition analysis

	School meals		Prescriptions		Student grant (total eligibility)		Civil legal aid (total eligibility)	
	1975-1985	1985-1995	1975-1985	1985-1995	1975-1985	1985-1995	1975-1985	1985-1995
% of change accounted for by rules	-45.2	-19.9	-3.0	20.5	-86.6	27.2	14.5	-89.5
% of change accounted for by socio-economic conditions	54.8	80.1	97.0	79.5	-13.4	-72.8	85.5	10.5
Net change in % of BUs eligible	1.5	6.5	2.9	12.7	-13.5	-4.8	8.7	-10.6

7.4 What was the nature of interaction among means tested benefits?

I looked at the extent of overlap in eligibility between different benefits. This shows how many people were potentially touched by means tests under the welfare state. Putting eligibility for all benefits together in 1985, it was a relatively small percentage of benefit units – about 5 per cent, which were eligible to receive no means tested benefits. This demonstrates that the scope of means testing under the welfare state was extremely wide.

Analysing the interaction of eligibility also shows whether there was any clear hierarchy in the income levels for eligibility. The number of columns in Chart 7-14 suggests a somewhat chaotic system of means testing. It does not seem to make sense that a family should be eligible for student grant and legal aid, but not free school meals! The 4.6 per cent eligible for student grant, legal aid and prescriptions are not eligible for school meals because they do not get SB/IS. It is also counter-intuitive that any family should get free school meals and prescriptions, yet not get legal aid, not even part legal aid. The 0.7 per cent do not get legal aid because of the low allowance for savings in the legal aid means test. This analyses suggests that there were some anomalies in the means testing system in

1985, which arose because of compartmentalised decision-making, such that the designers of the legal aid means test did not bother to co-ordinate their policy with other means tests.

Chart 7-14 Breakdown of BUs eligible for a combination of benefits in 1985 (BUs with school children only)

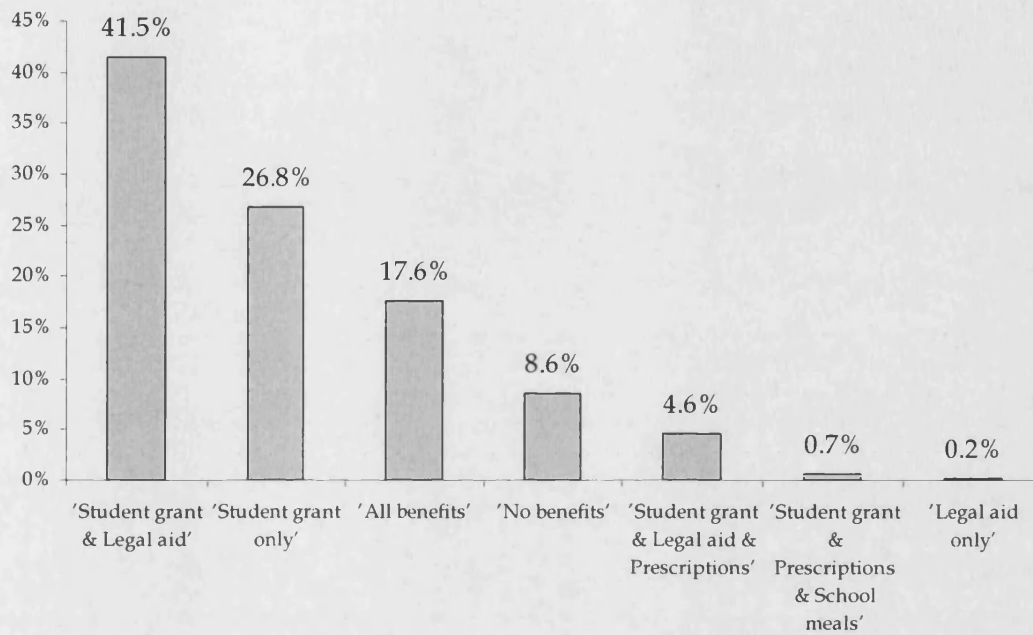
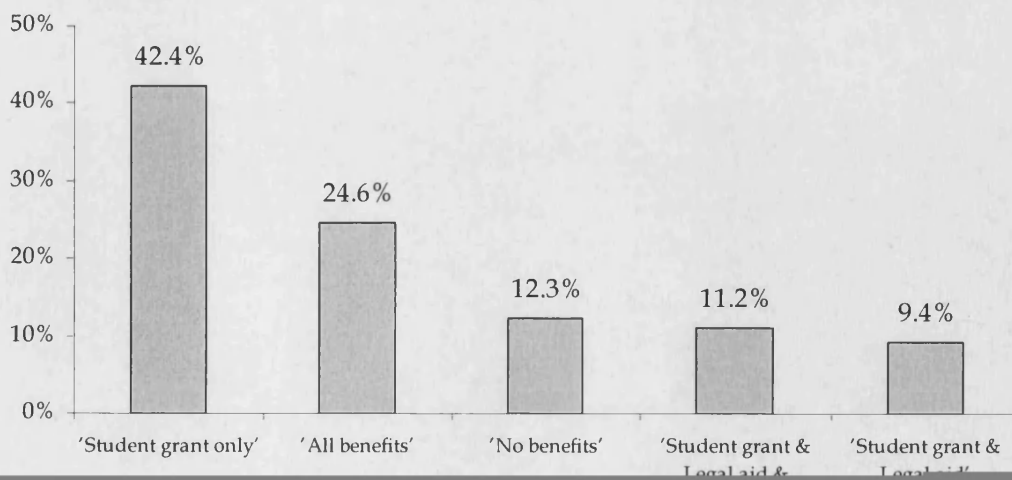


Chart 7-15 Breakdown of BUs eligible for a combination of benefits in 1995 (BUs with school children only)



The reduced number of columns in Chart 7-15 compared with Chart 7-14 demonstrates the rationalisation brought about by passporting. In 1995 there was a clear hierarchy in the income limits between these means tests; student grants having the highest limits, followed by civil legal aid, then the means test for free prescriptions, with free school meals having the lowest income limits. Thus, someone receiving free prescriptions would be safe to assume that they could also get legal aid. One potential problem with the extension of passporting arrangements is that it can increase the problem of the 'poverty trap', which in the extreme might mean that a family was eligible for either all benefits or no benefits. The sudden loss of entitlement to all benefits might be a disincentive to leave the passporting benefit. However, the chart shows that there were up to 9.4% of families in each column. This means that there were fairly wide bands of eligibility for each combination of benefit, which can be favourably compared with a scenario in which the 'all benefits' and 'no benefits' columns had contained the greatest number of people.

7.5 Conclusion

This chapter has looked at how the means test worked in practice. The rise and fall in actual numbers eligible for these benefits followed different patterns over time for each benefit. There were substantial differences in the means tests used in each year, and there was no coherent overall direction of means test policy. The results reveal that there was no consistent operational definition of 'need': the income threshold of the means tests moved around over time. 'Need' for a specific item of consumption was also defined differently in the context of different means tested benefits.

Cuts to the income threshold did not always feed through into cuts in actual eligibility because there were more people on low incomes. In particular, there were more people on Income Support and it would have

been virtually impossible for a government to justify removing entitlement to this non-income maintenance benefits from those people.

8 The outcome of means-tested benefits II

The previous chapter focused on how changes in the means test and socio-economic variables affected the overall proportion of people entitled to means tested benefits. In this chapter the emphasis is on the detail of the kinds of people eligible. As with the previous chapter, I used the technique of microsimulation modelling, which allowed me to examine at the micro-level the outcomes

8.1 What was the distribution of eligibility by income?

I analysed entitlement by family income, paying particular attention to whether the benefits reached the poorest income groups. This helps to answer the wider question: 'who benefited from the welfare state?' One of the objectives of these non-income maintenance benefits was to ensure access to services by the poor. However the definition of 'poor' was seldom made explicit, and has to be discovered by the way the benefit operated in practice. The change in the incomes of entitled families indicates who was considered to be in need at different times and in the context of different benefits.

The income level at which the cut-off for eligibility comes into effect reveals something about the implicit objectives of the means test. For example, if the cut-off is at the point where income reaches subsistence benefit level, this suggests it is an assistance measure⁶²³, designed to help those in poverty. On the other hand, if the cut-off is above subsistence benefit level, this suggests that the benefit also aims to be an anti-poverty measure, or to help with large and irregular expense. For example, legal costs are potentially large, but also a very irregular occurrence and the cut-off is correspondingly high.

⁶²³ See Chapter 6, section 6.1.5

I broke down the results by income, to see how well targeted the means tests were. The results are shown based on income after housing costs (AHC).⁶²⁴ I equivalised income using the McClements scale.⁶²⁵ In particular, I was interested in what proportion of families in the bottom two income deciles were eligible.⁶²⁶ The charts show eligibility to be spread across more than one decile, as if there is an eligibility band, rather than a 'cut-off line'. These results also show that benefits were not very well targeted at people with a low income.

The question of how effective means tested non income replacement benefits were at maintaining consumption of specific items of expenditure has several aspects to it. It depends on the level of take-up of the means tested benefit, and on any other obstacles to people taking advantage of the benefit. But the aspect most relevant to this research is whether the benefit covered *all* of those people who could not otherwise that item of consumption, or would feel that they could not afford it. The tricky part is identifying who could not afford the item, since different families have different spending priorities. One way round this is to use a sample family budget to determine reasonable outgoings, although the issue then becomes one of how the 'sample budget' is constructed. Not having done this, I cannot determine in this research at what point on the income distribution someone 'cannot afford' NHS prescriptions, civil legal aid, and so on, and compare that with distributional eligibility. Nevertheless, the government's measure of poverty as published in *Households Below Average Income* is households with income below 60 per cent of median income. By this measure in 1995/96 the bottom 18 per

⁶²⁴ See Chapter 1 for further details of the method used.

⁶²⁵ See Chapter 1 for further details of the method used.

⁶²⁶ The bottom two income deciles (AHC) roughly corresponds to the group with incomes below 50% of the median, which is the poverty measure used in the government's Households Below Average Income series.

cent of individuals were in poverty. This roughly corresponds to all of the benefit units in decile 1 on my charts and most of them in decile 2: they were benefit units in poverty on the government's own criteria. It is, therefore, potentially a cause for concern that a significant proportion of people in the bottom two deciles were ineligible.

8.1.1 School meals

Chart 8-1 Free school meals - % of BUs eligible (with school age children) in 1975, by income decile (AHC, McClements scale)

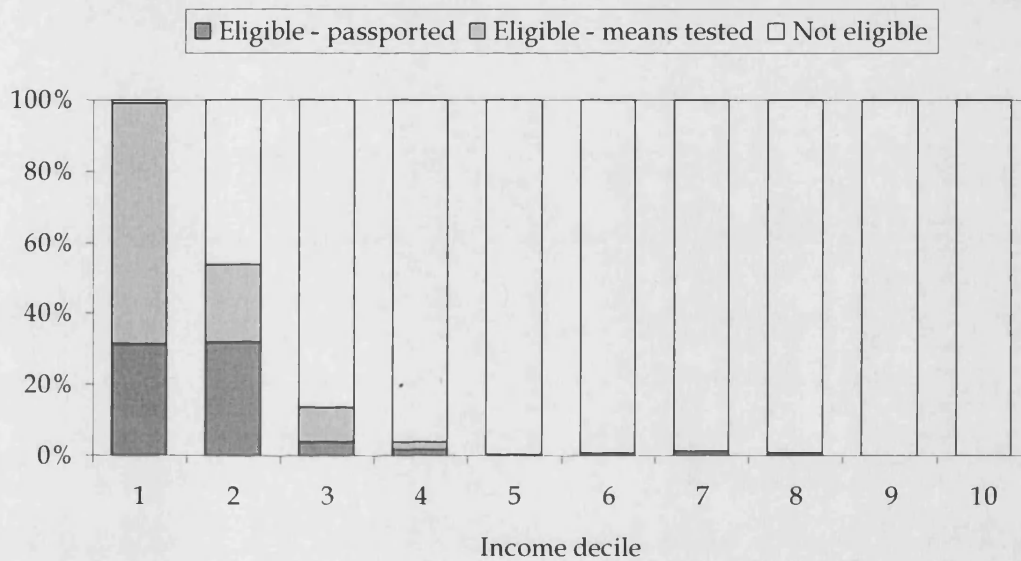


Chart 8-2 Free school meals - % of BUs eligible (with school age children) in 1985, by income decile (AHC, McClements scale)

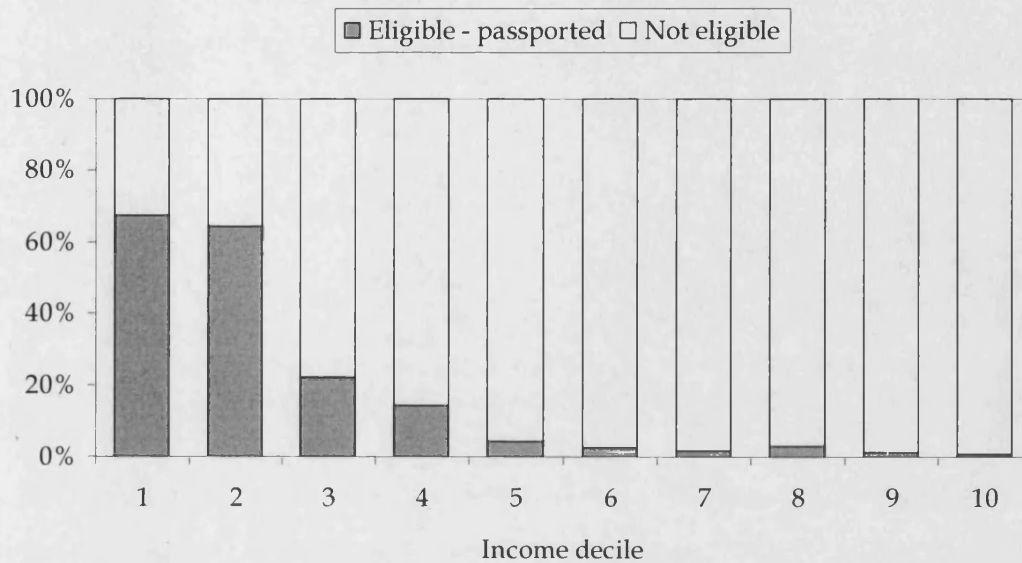
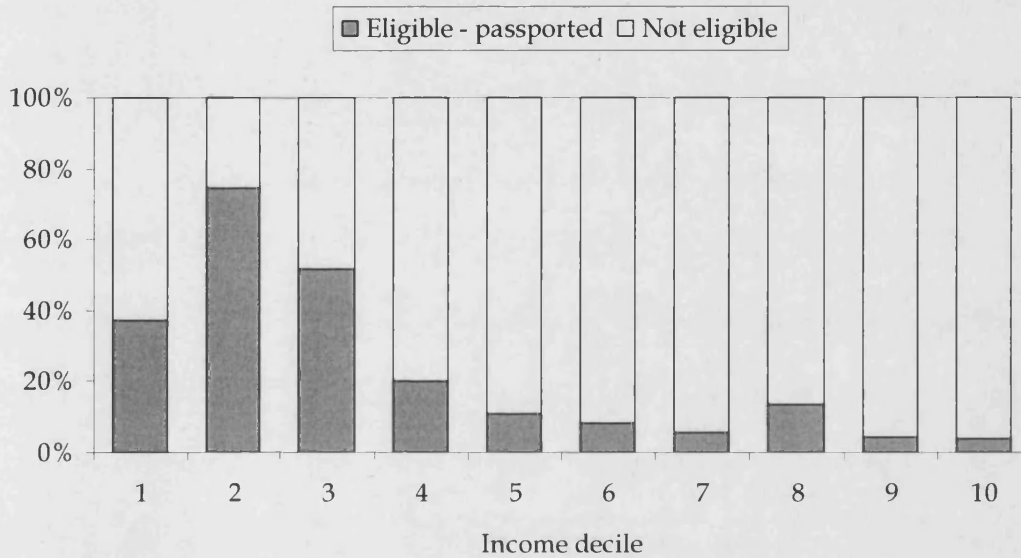


Chart 8-1 to Chart 8-3 show that eligibility for free school meals was concentrated on the lower end of the income distribution, but that there were also significant numbers of families on low income that were ineligible in the mid-1980s and mid-1990s. The increase in the numbers in the bottom deciles not entitled shows that only some on low income were considered deserving by the means test, in a change from 1975. The numbers in the bottom two deciles ineligible, combined with those in the

receiving SB/IS, but in error.⁶²⁷ There are also self-employed people in this group, who are recorded as receiving Income Support, but who seem to have rather high earnings. This could be because the question asked in the FES does not accurately obtain information about the current income of the self-employed.

Chart 8-3 Free school meals - % of BUs eligible (with school age children) in 1995, by income decile (AHC, McClements scale)



⁶²⁷ The results of the government's own research on so-called non-entitled recipients can be found in DSS Analytical Services Division, *Income Related Benefit Estimates of Take-Up in 1995/96* (GSS, 1997) pp.37-46, 62.

8.1.2 Prescriptions

Chart 8-4 Free prescriptions - % of adults eligible in 1985, by income decile (AHC, McClements scale)

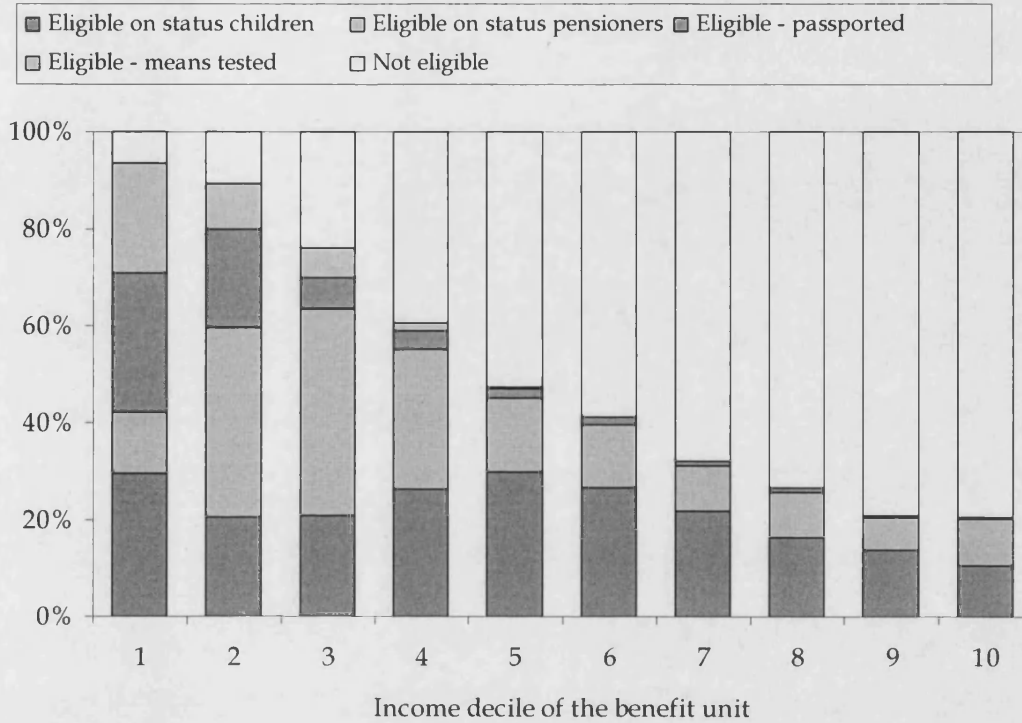
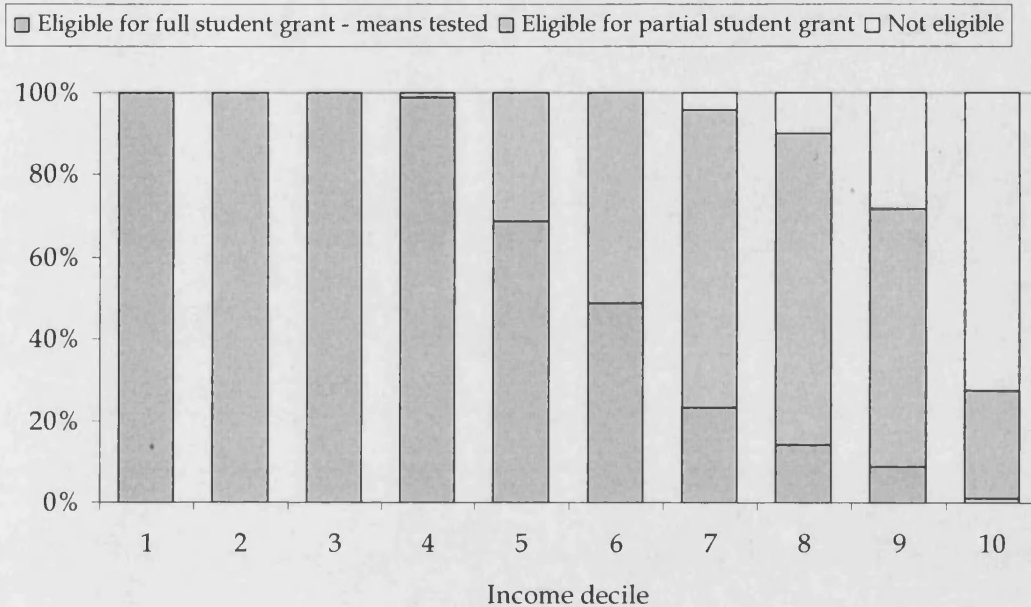


Chart 8-4 shows that eligibility for free prescriptions on the basis of income was concentrated on the lower end of the income distribution, but that again there were significant numbers of families on low income, defined as the bottom two deciles, that were not entitled. The chart also shows how status exemptions for pensioners extended right the way up

the income distribution, so would not be a particularly effective way of targeting to those on a low income, despite the concentration of pensioners in the second and third income deciles.

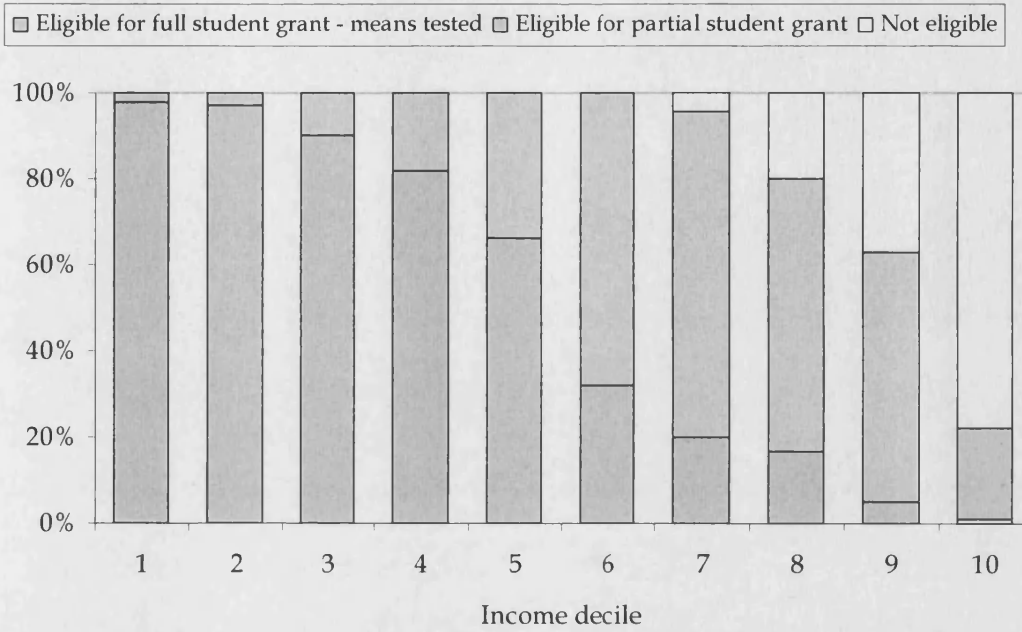
8.1.3 Student grant

Chart 8-5 Student grant - % of BUs eligible (with a 17-24 yr old in parental home or a student away from home) in 1985, by income decile (AHC, McClements scale)



Distributional results for student grants (Chart 8-5 and Chart 8-6) show that those in the bottom two deciles were fully eligible. But whether the value of the benefit was sufficient enough to really offer access to higher education to people on that low level of income would be another question. Chart 8-5 shows that in 1985, almost all families in the bottom 40 per cent of the income distribution were eligible for the full grant, whilst some families in the top 10 per cent were able to get a part grant.

Chart 8-6 Student grant - % of BUs eligible (with a 17-24 yr old in parental home or a student away from home) in 1995, by income decile (AHC, McClements scale)



8.1.4 Civil legal aid

Chart 8-7 Civil legal aid - % of BUs eligible in 1975, by income decile (AHC, McClements scale)

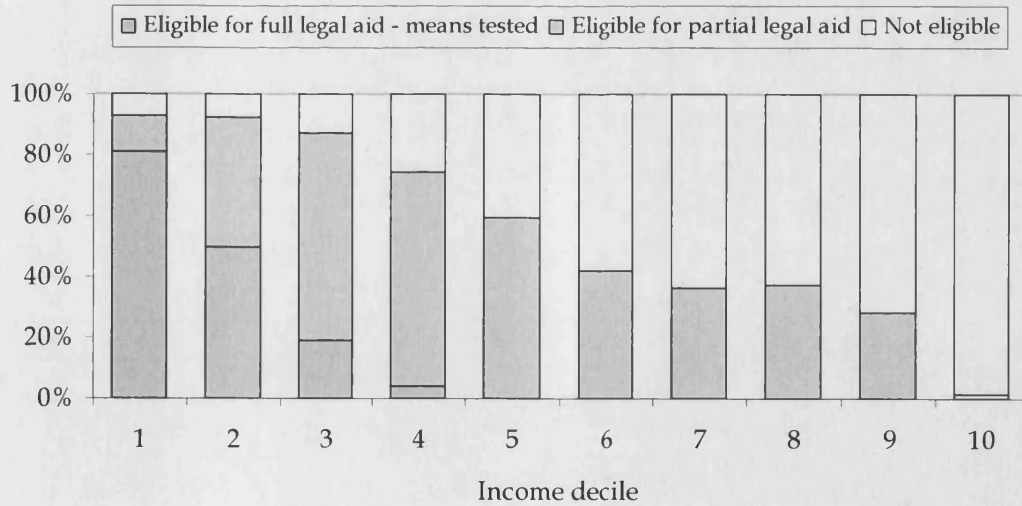


Chart 8-8 Civil legal aid - % of BUs eligible in 1985, by income decile (AHC, McClements scale)

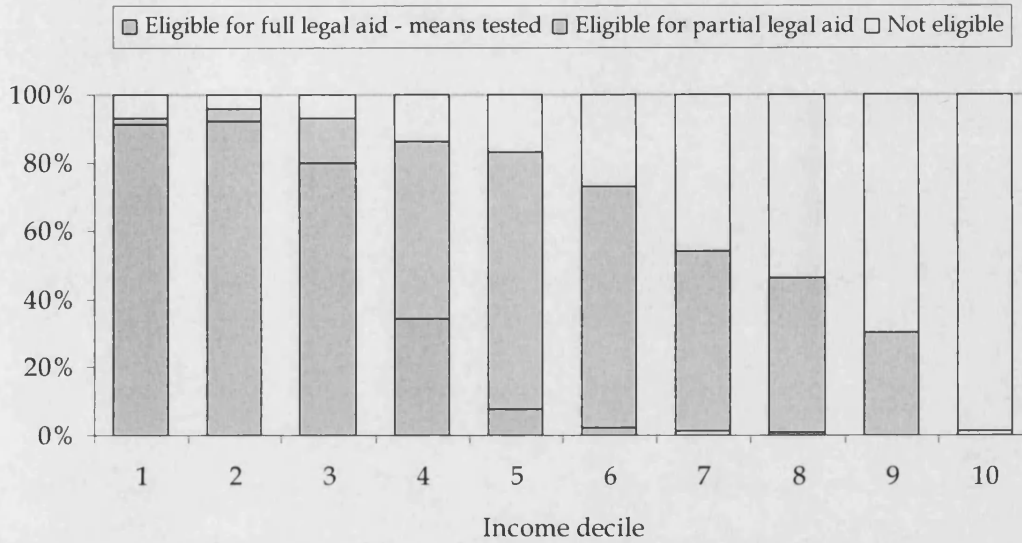


Chart 8-7 to Chart 8-9 show that the means test for civil legal aid as it operated in 1975 and 1985 excluded some families from the bottom two income deciles, suggesting that it did not help all those on low incomes. This is particularly strange considering how far up the income distribution eligibility spread. The reason could be that the capital limits for most applicants for legal aid were significantly lower than those for Income Support (whose recipients were automatically eligible for free legal aid). Those not on Income Support face more stringent capital limits for legal aid. The Legal Action Group justifiably felt that the result of this was 'a completely illogical system.'⁶²⁸ The charts also show that civil legal aid encompassed 'middle incomes'.

⁶²⁸ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.24.

Chart 8-9 Civil legal aid - % of BUs eligible in 1995, by income decile (AHC, McClements scale)

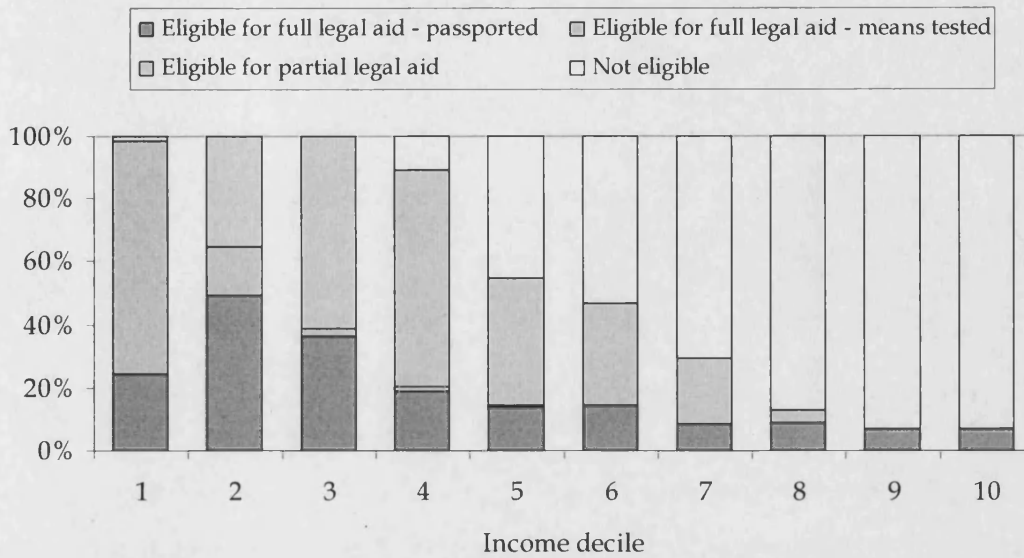


Chart 8-10 BUs with school age children eligible for a combination of benefits in 1985, by income decile (AHC, McClements scale)

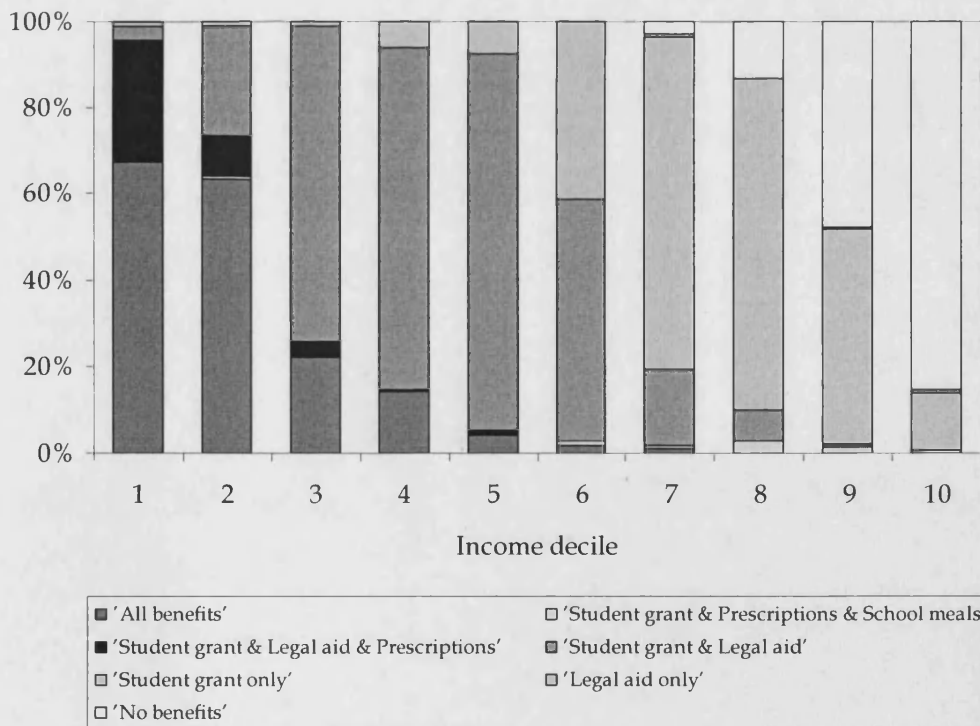


Chart 8-10 shows what combinations of benefits families were eligible for by income decile. It shows clearly bands of eligibility crossing several income deciles. For example, in the fourth deciles there are some benefit

units eligible for all four benefits, and others eligible for the student grant only, when according to the McClements scale, and after housing costs, they have roughly comparable standards of living.

In chapter 6 I identified the judgements implicit in the deductions and allowances made in the design of the means test. Working with the micro-data served to further highlight some of the anomalies these allowances and disregards produced in practice. For example, the people in the upper deciles who are eligible are those with large outgoings on allowable expenses. Expense disregards act to reward certain types of behaviour or to reflect unavoidable expenditure. The items which are disregarded can tell us what the means test designer regarded as essential normal expenditure. Work related expenses such as travel to and from work and trade union subscriptions aimed to preserve the incentive to stay in work, rather than have complete benefit dependency. An allowance for payments into an occupational or personal pension encouraged people to make that provision.

The families in the bottom deciles who are not eligible have a low income, but modest savings. The automatic cut-off adversely affects retired people who live off their income from capital because a relatively large amount of capital produces a quite small income. Further, some of the means tests assume an unrealistically high rate of income from savings. This adversely affects people who have savings.

The practice of 'passporting' resulted in anomalies. This is evidenced in my data. For example, families who appeared to have incomes below social assistance level and were not eligible and people on social assistance, who would not be eligible if they did not receive social assistance as a component of their income. Another explanation for families in the bottom deciles who are not eligible is large families: family composition might be treated differently in the means test to in the equivalence scale. The means test has an implicit equivalence scale.

The distributional results by income show that benefits were not very well targeted at people with a low income. The definition of a low income in practice differed from the definition of income used to construct these charts. The means test often veered towards restricting eligibility, rather than ensuring all on low incomes were protected.

What does the change in the incomes of entitled families tell us about who was considered to be in need at different times and in the context of different benefits? 'Need' according to income was defined differently over time. Not only did actual overall numbers eligible change, and the rules of the means test change, they impacted across income groups - their effect was not limited to the groups at the margin of eligibility. 'Need' for a specific item of consumption was also defined differently by different means tested benefits.

The distributional outcomes of the means tests suggest that means tests should not be seen as a value-neutral way of helping the most deprived - the deprived are not always eligible. The mixture of distributional outcomes and the overall eligibility patterns also demonstrate that need or poverty were defined in effect differently in different decades and for different benefits. The reasons for this are discussed in chapter 10.

This helps to answer the wider question: 'who benefited from the welfare state?' Certainly some middle income families were able to benefit.

However, the numbers of benefits unit not eligible in the bottom two deciles suggest that securing means-tested benefits for all low-income people was not achieved. The explanation is that restricting eligibility came before protecting the needy. We should be concerned that some needy people could not get access to benefits.

8.2 What were the characteristics of people eligible?

This helps to answer the wider question: 'who benefited from the welfare state?' by looking at entitlement by categories other than income.⁶²⁹ Also, what does the change in the types of people eligible tell us about who was considered to be in need at different times and in the context of different benefits? The overall finding is that it is difficult to conceptualise entitlement using easily observable characteristics.

8.2.1 Tenure type

Chart 8-11 to Chart 8-15 show that tenure is not a good indicator of eligibility. In no case is there a close relationship between tenure type and entitlement to non-income maintenance benefit. Benefit units with a mortgage were less likely to be eligible, and people in Local Authority accommodation more likely to be eligible, than people in other tenure types. However, the relationship was not strong enough to predict eligibility. It might be presumed that the decline in Local Authority housing made a difference to tenure as a predictor of eligibility, as more people on low incomes were accommodated by Housing Associations or the private rented sector. However, Chart 8-14 and Chart 8-15 show that the proportion of eligible families in non-Local Authority rental property did not rise, but remained the same between 1985 and 1995, a period of 'privatisation' of housing for families on low incomes.

⁶²⁹ I expected that council tax band or rates paid would be a sensitive proxy to eligibility. Unfortunately, detailed data on these is not available in the FES data set in order to protect the anonymity of survey respondents.

Chart 8-11 Free school meals - % of BUs eligible in 1985, by tenure type

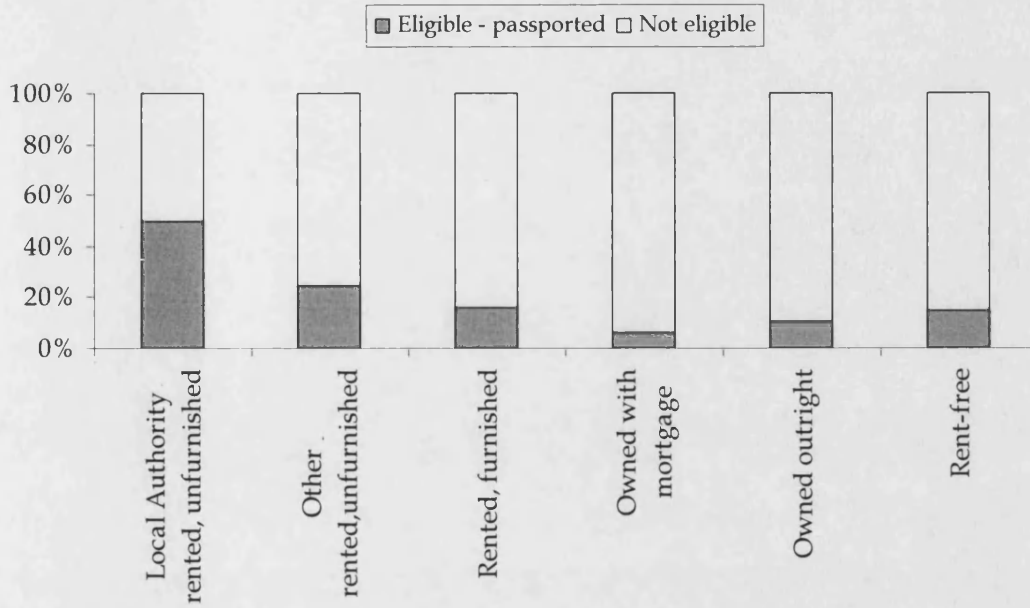
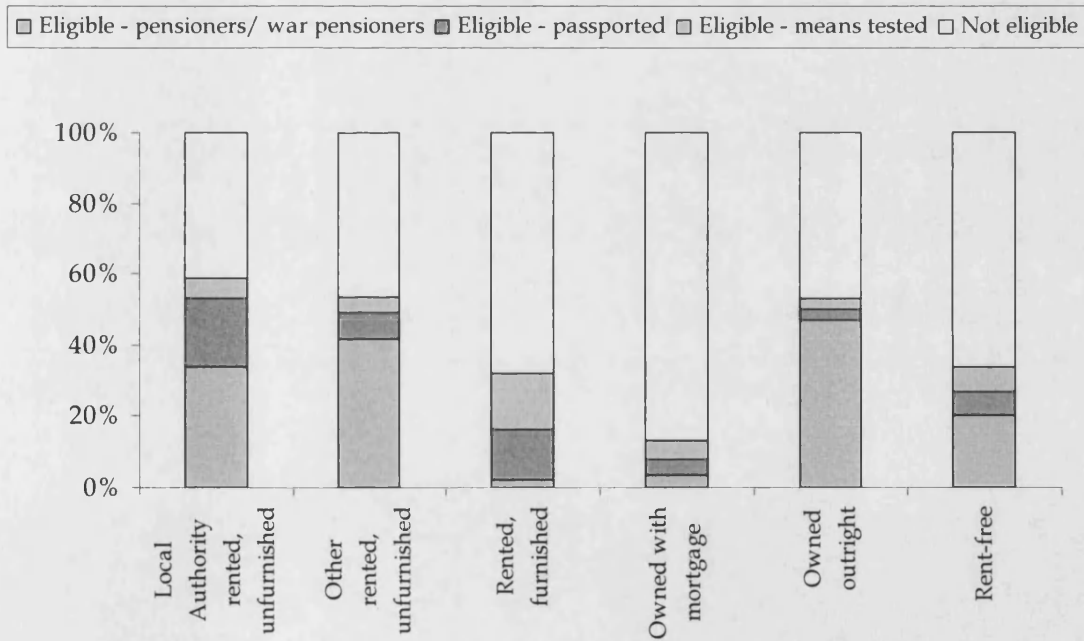


Chart 8-12 Free prescriptions - % of adults eligible in 1995, by tenure type



The high proportion of benefit units eligible for free prescriptions which

Chart 8-13 Student grant - % of BUs (with a 17-24 year old in parental home or a student away from home) eligible in 1985, by tenure type

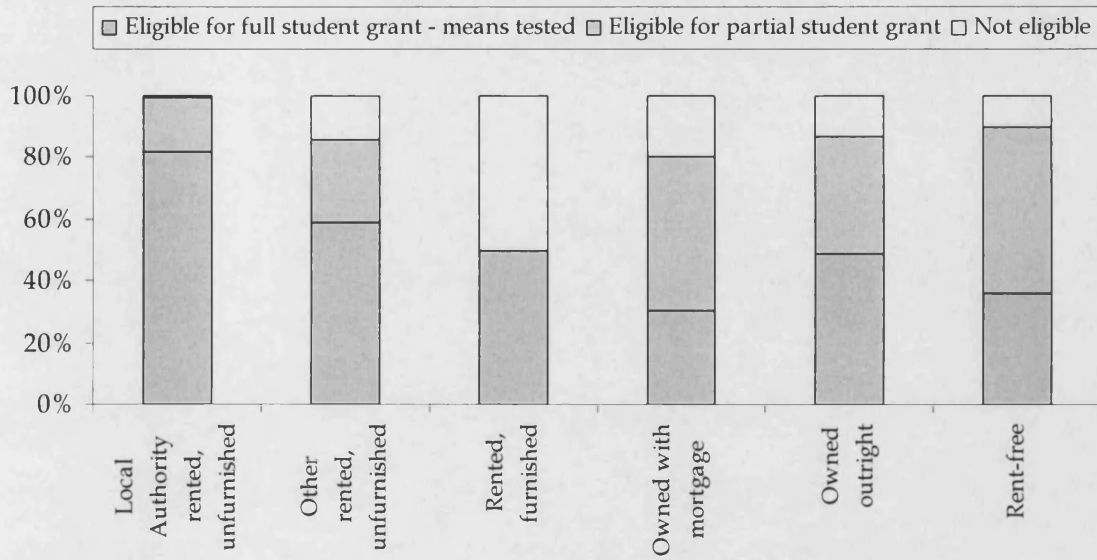


Chart 8-14 Civil legal aid - % of BUs eligible in 1985, by tenure type

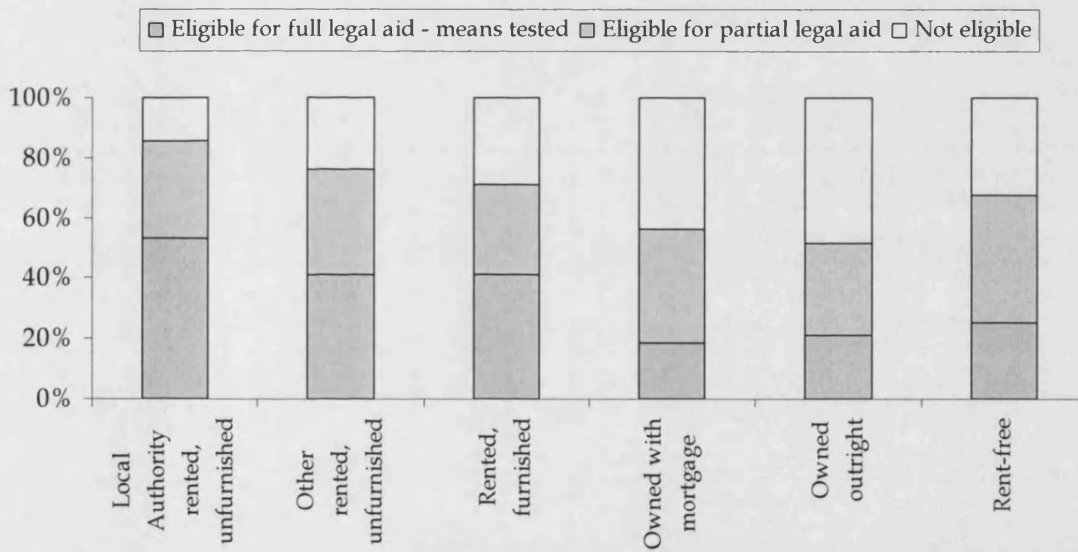
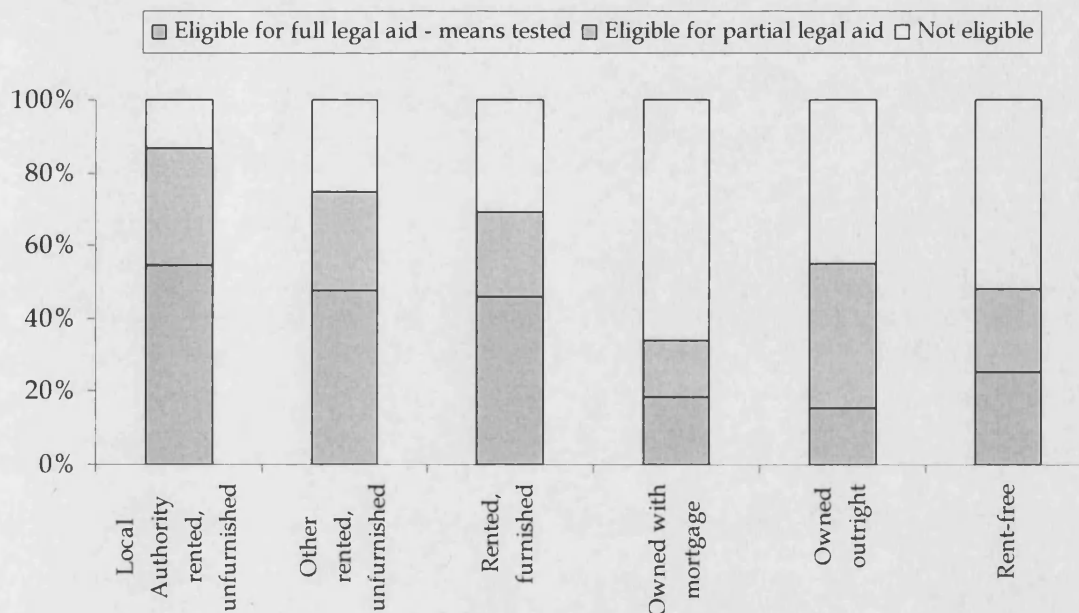


Chart 8-15 Civil legal aid - % of BUs eligible in 1995, by tenure type



8.2.2 Employment

These results make clear the link between employment status and eligibility for non-income maintenance benefits. The economic status of the benefit unit head and the number of earners in the benefit unit are strong predictors of eligibility, as one might have expected. However, the link is not hard-and-fast enough to serve as proxy for the means test, except for the student grant in the mid-1980s. The problem with replacing the means test with a proxy based on employment status is that the proxy is

Chart 8-16 Free school meals - % of BUs (with a school child) eligible in 1985, by economic position of BU head

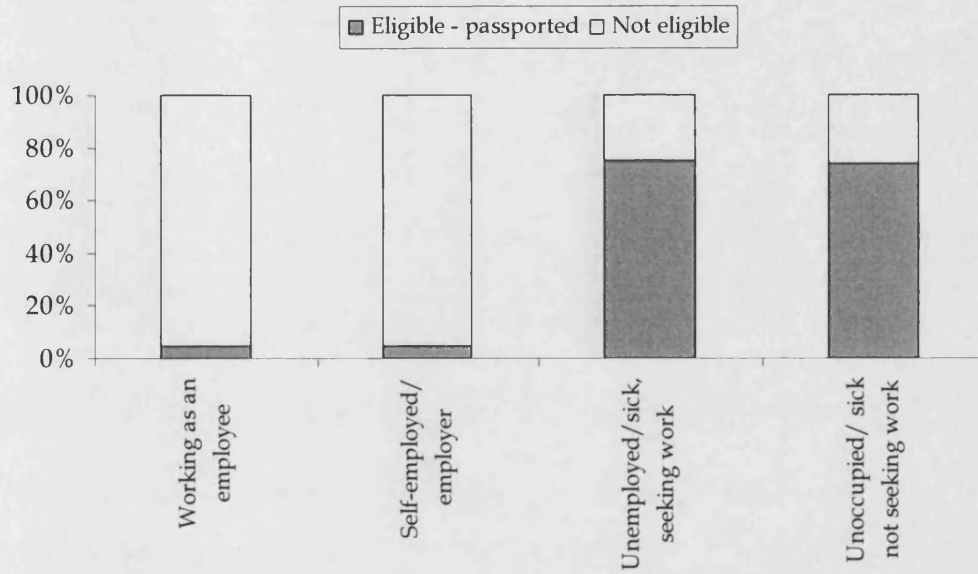


Chart 8-17 Free prescriptions - % of adults eligible in 1985, by economic position of BU head

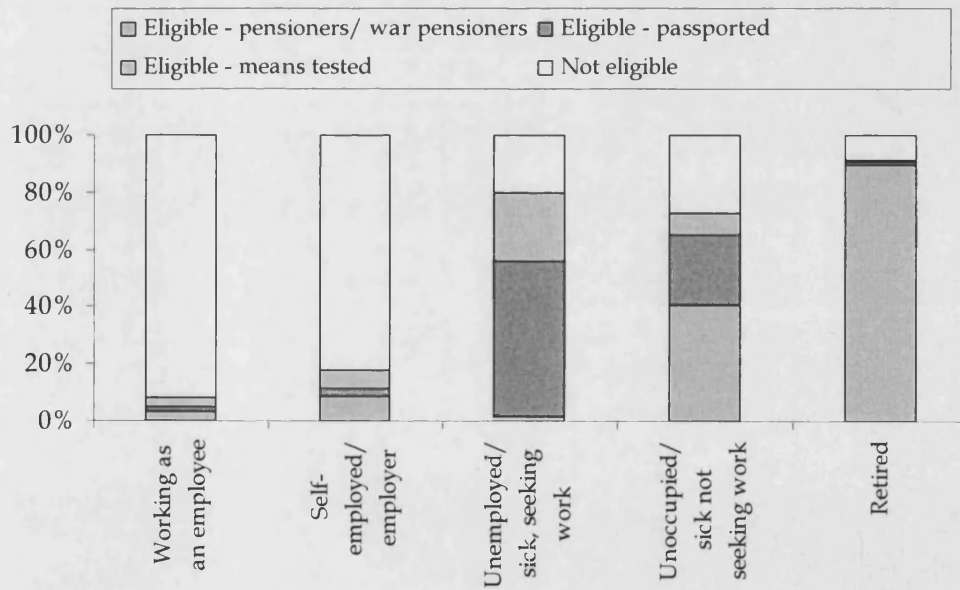


Chart 8-18 Free prescriptions - % of adults eligible in 1985, by number of workers in BU

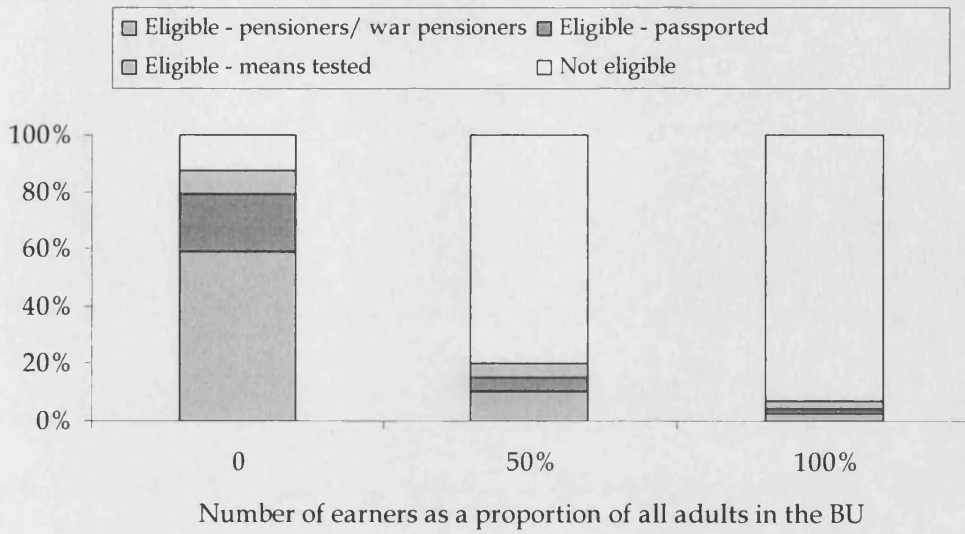


Chart 8-19 Student grant - % of BUs (with a 17-24 year old in parental home or a student away from home) eligible in 1985, by economic position of BU head

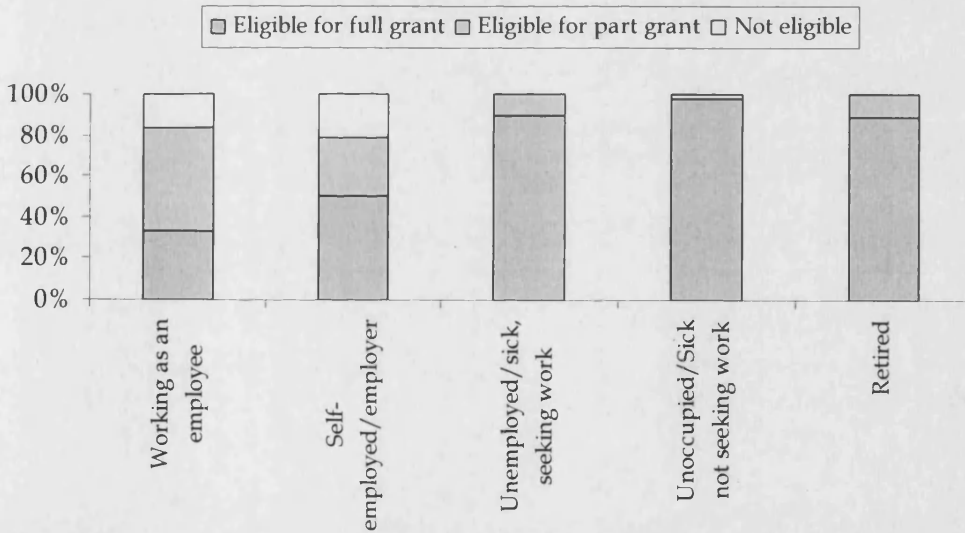


Chart 8-20 Civil Legal Aid - % of BUs eligible in 1985, by economic position of BU head

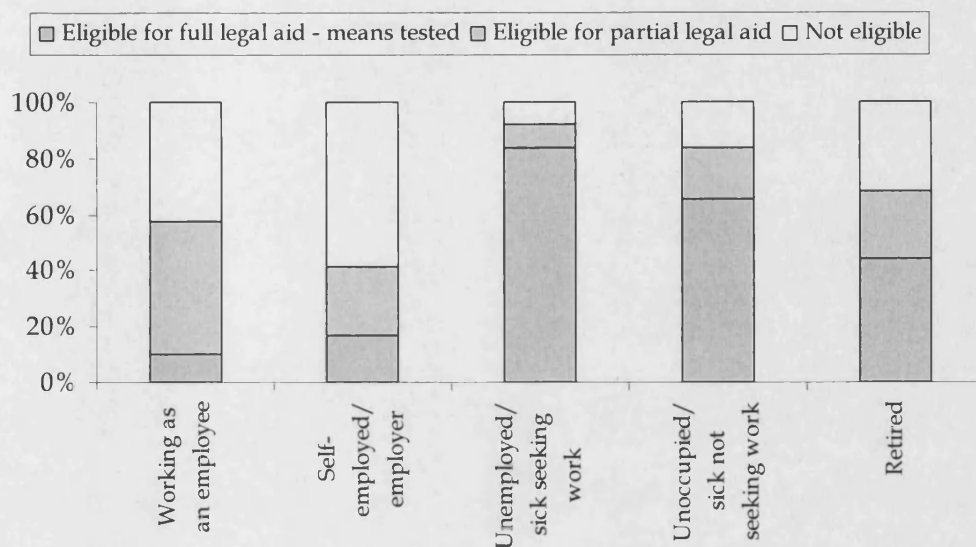
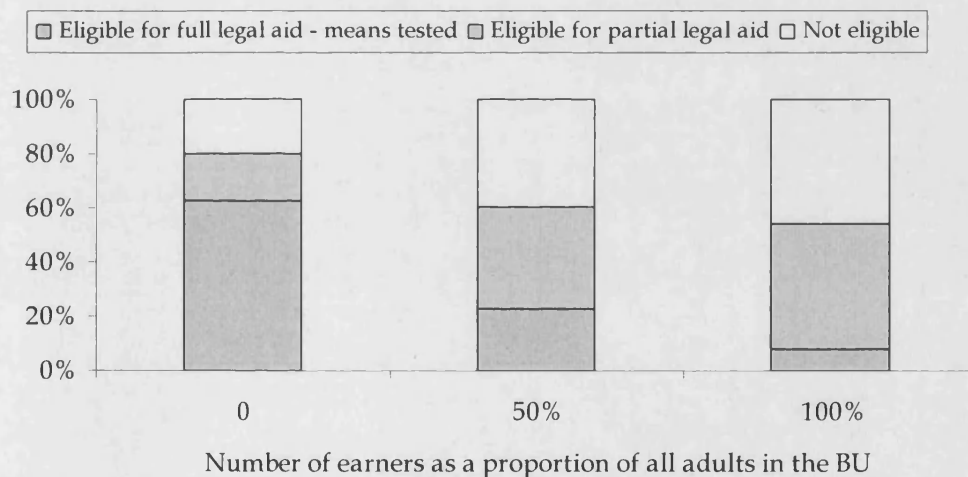


Chart 8-21 Civil legal aid - % of BUs eligible in 1985, by number of workers in BU



Comparing Chart 8-18 with Chart 8-21 it can be seen that the number of earners in the family has a less strong relationship with entitlement to civil legal aid than with free prescriptions.

8.2.3 Age of benefit unit head

Eligibility by age of benefit unit head is of interest because it may reveal whether these four benefits produced redistribution of resources over an individual's own life cycle. The pattern for free prescriptions is an exception and civil legal aid are different, but they each show potential

for some redistribution according to age. Age of benefit unit head was not significant for student grants, because people who have a son or daughter aged 17-24 are themselves in a limited age group, and student finance is no an on-going need over an individuals life. This is unlike medicines, where need may be greater with increasing age, but people of any age might reasonably expect to use prescription medicines occasionally. For school meals, a benefit unit head under age 25 was significantly more likely to be eligible, but that is because young parents are more likely to be on Income Support than other parents. Therefore the pattern of eligibility for free school meals by age of head corresponds what one might have expected.

Chart 8-22 Free prescriptions - % of adults eligible in 1985, by age of BU head

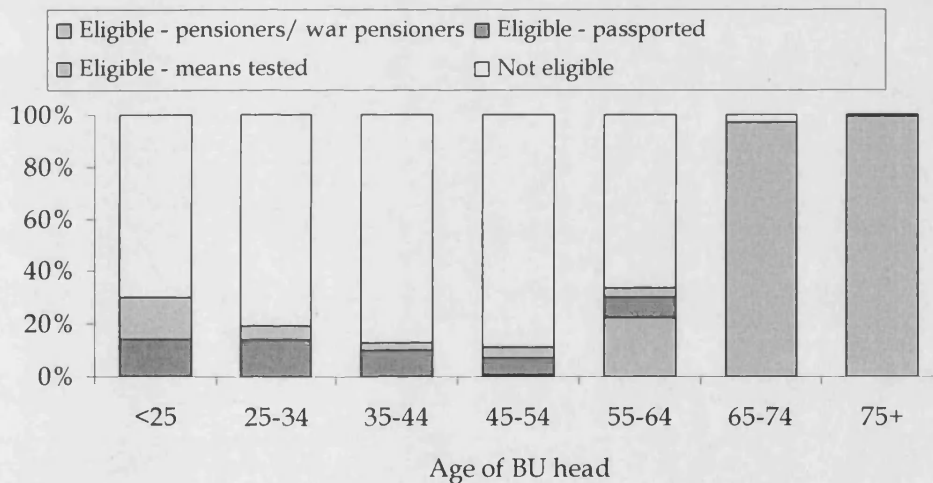


Chart 8-22 shows that pensioners benefit more from free prescriptions than other age groups. This is driven by the status exemption for pensioners. This result corresponds with the findings by Falkingham and Hills of 'a pronounced age-related pattern' in the benefit people get out of the welfare state.⁶³⁰ The pattern for civil legal aid (Chart 8-23) is less pronounced, because there is no status exemption for pensioners.

⁶³⁰ Falkingham, Jane and John Hills, "The Effects of the Welfare State over the Life Cycle," in Falkingham, Jane and John Hills, eds., *The Dynamic of Welfare: The Welfare State and the Life Cycle* (Prentice Hall/Harvester Wheatsheaf, 1995) p.101.

Nevertheless, redistribution in favour of young adults and retired people can be identified on the chart.

Chart 8-23 Civil legal aid - % of BUs eligible in 1985, by age of BU head

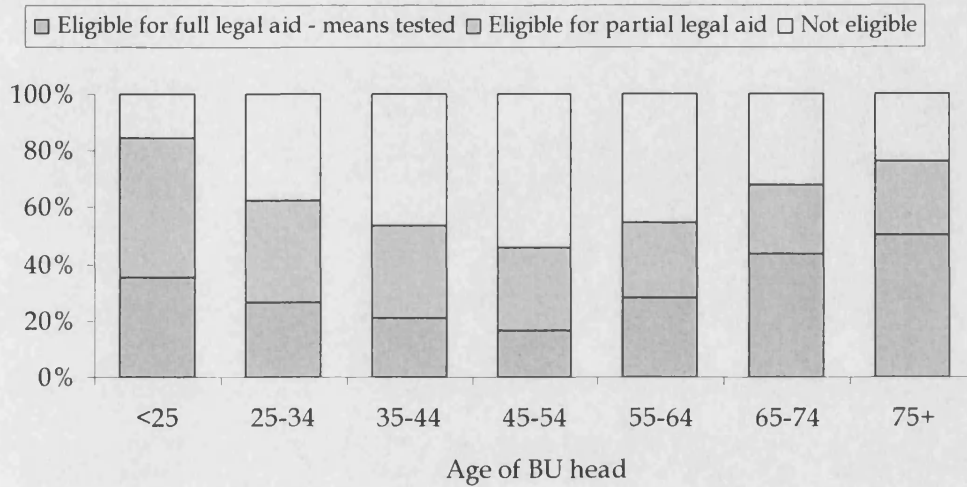
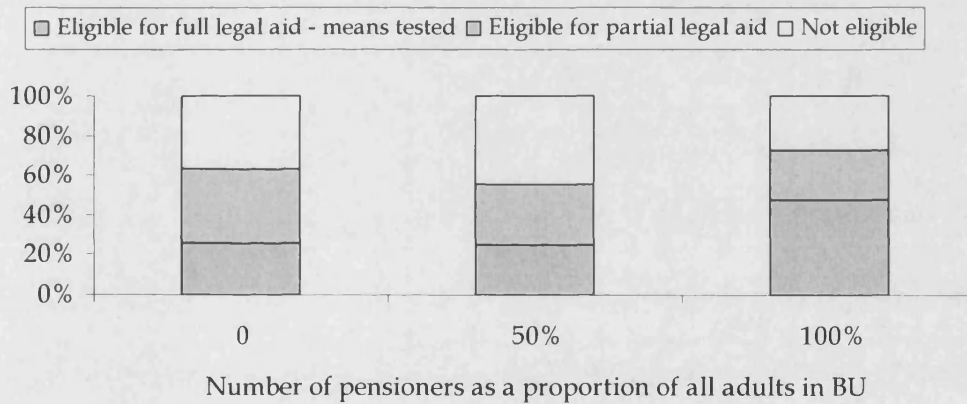


Chart 8-24 Civil legal aid - % of BUs eligible in 1985, by no. of pensioners in BU

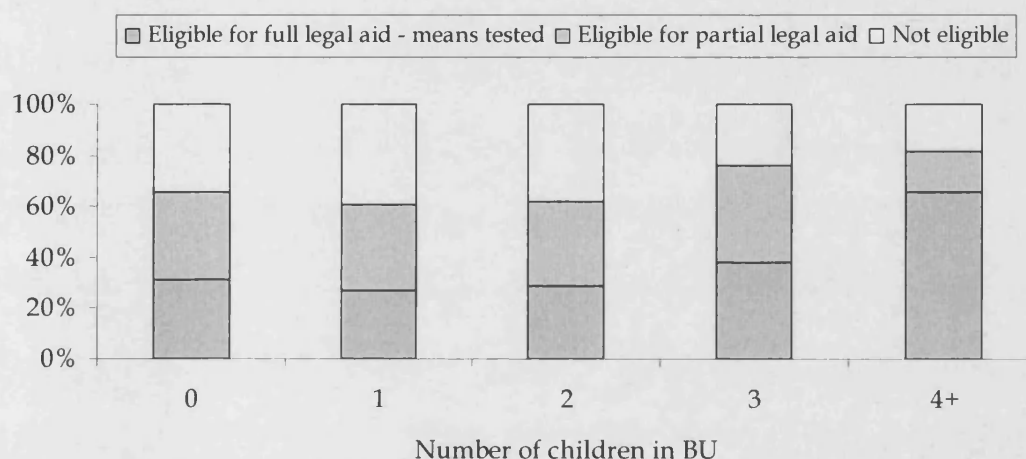


Despite the undoubted relationship between age and entitlement, the presence of pensioners in the family was not a good predictor of entitlement. Just one instance of this effect, for civil legal aid, is presented in Chart 8-24 above. Pensioners in the family had a very direct relationship to entitlement for free prescriptions because of the status exemption for pensioners. No meaningful pattern existed in relation to free school meals and student grants because few pensioners have children of the relevant ages.

8.2.4 Number of children

Families with four or more children were significantly more likely to be eligible than other kinds of families. Civil legal aid is a typical example of this effect. However, there were some families with four plus child that were ineligible, which limits the usefulness of this relationship as a predictor of entitlement.

Chart 8-25 Civil legal aid - % of BUs eligible in 1985, by number of children

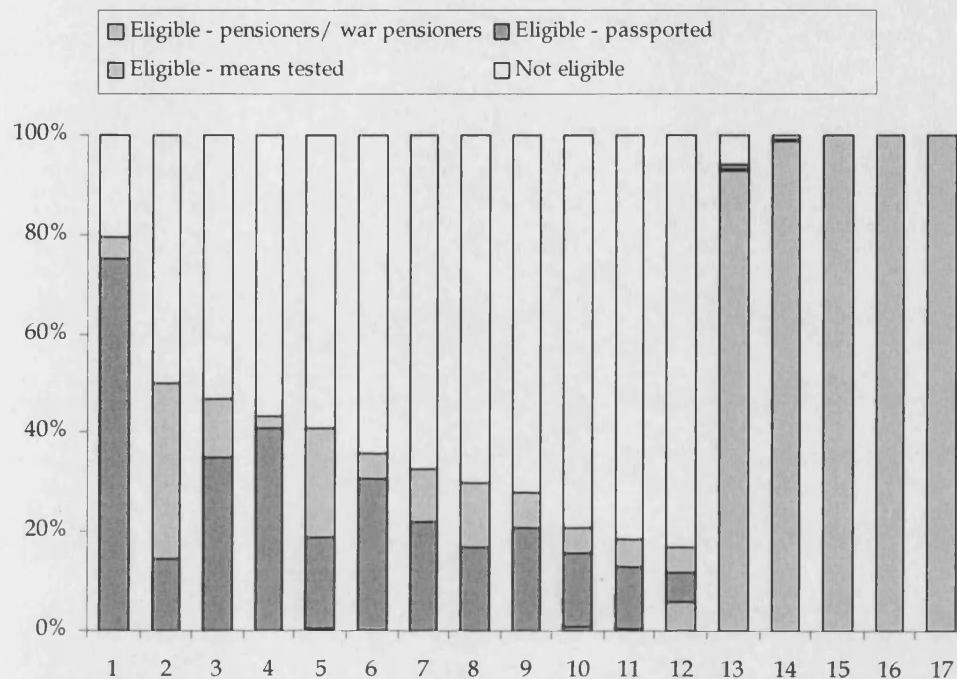


8.2.5 Family type

In the analysis by family type, it is little surprise that adults in a family headed by a pensioner are nearly all eligible for free prescriptions, given the status exemption. However, Chart 8-26 below shows that female lone parents were far more likely to be eligible than other family types. The same effect was noticeable with civil legal aid (Chart 8-27). Single females under 20 were relatively unlikely to receive a passport benefit for prescriptions, but were most likely to be eligible on the grounds of income. A similar, but less pronounced effect can be observed for single males under 30. The other types of families likely to be eligible by passport were single men aged 55 to 64 and couples with three or more children. Couples with up to two children were least likely to be eligible. This suggests that, although there is a noticeable eligibility pattern by age

of head (see section 0 above) there is no evident redistribution from families without children to families with children.

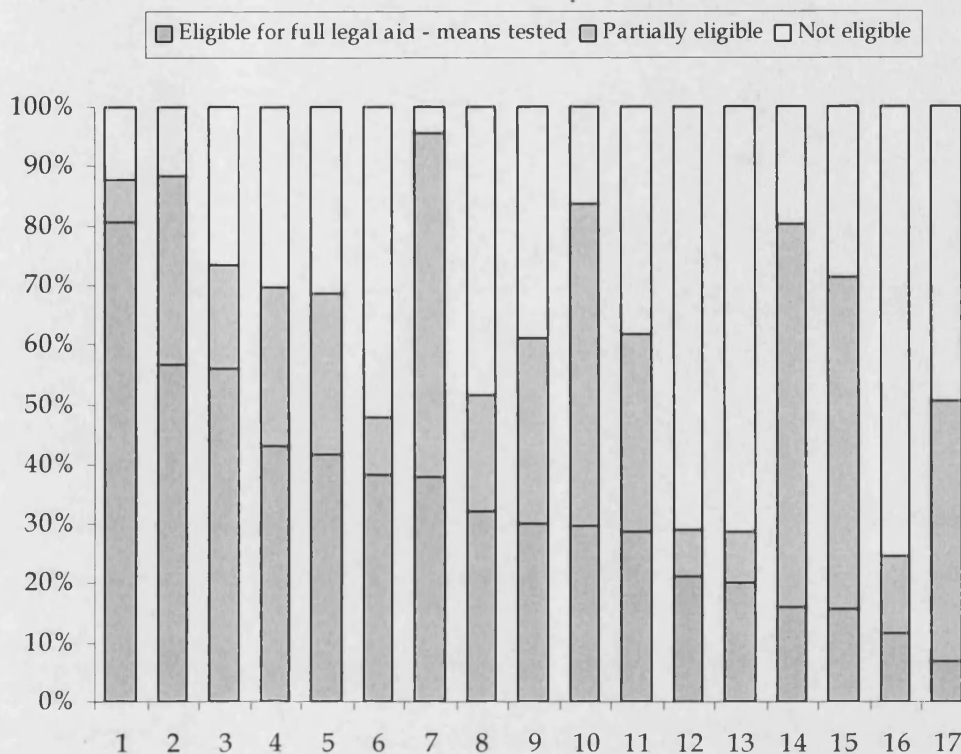
Chart 8-26 Free prescriptions - % of adults eligible in 1995, by family type



Key to Chart 8-26

1	single, female, 1+ child	10	married/cohabiting one child
2	single, female, aged less than 20, no children	11	married/cohabiting 2 children
3	single, male, aged 55 to 64, no children	12	married/cohabiting, no children
4	single, male, 1+ child	13	married/cohabiting, head retired, aged less than 75
5	single, male, aged less than 30, no children	14	married/cohabiting, head retired, aged 75 or more
6	married/cohabiting 3+ children	15	single, male retired
7	single, male, aged 30 to 54, no children	16	single, female retired aged less than 75
8	single, female, aged 20 to 39, no children	17	single, female retired aged 75 or more
9	single, female, aged 40 to 59, no children		

Chart 8-27 Civil Legal Aid - % of BUs eligible in 1995, by family type



Key to Chart 8-27

1	single, female, 1+ child	10	single, female retired aged less than 75
2	single, female, aged less than 20, no children	11	single, female, aged 40 to 59, no children
3	single, male, 1+ child	12	married/cohabiting one child
4	single, male, aged 55 to 64, no children	13	married/cohabiting 2 children
5	single, male, aged less than 30, no children	14	single, male retired
6	married/cohabiting 3+ children	15	married/cohabiting, aged 75 or more
7	single, female retired aged 75 or more	16	married/cohabiting, no children
8	single, male, aged 30 to 54, no children	17	married/cohabiting, aged less than 75
9	single, female, aged 20 to 39, no children		

The pattern of eligibility by family type for *full* civil legal aid (Chart 8-27 above) was very similar to that for free prescriptions. However, when considering full and partial legal aid together, retired people were those most likely to eligible for some form of civil legal aid.

8.2.6 Benefit receipt

I analysed the receipts of civil legal aid and free prescriptions according to receipt of passport benefits. I was interested in how many of those eligible had been passported by receipt of subsistence benefits.

Table 8-1 shows which benefits had a passporting facility.

Table 8-1 'Passport' exemptions for means tested benefits, 1965-1995

	School meals	Prescription medicines	Student grants	Civil legal aid
1965	? ⁶³¹	N/A.	None.	None.
1975	Children of families on SB ⁶³² and FIS. ⁶³³	SB and FIS recipients and their dependants.	None.	None.
1985	Children of families on SB ⁶³⁴ and FIS. ⁶³⁵	SB and FIS recipients and their dependants.	None.	None.
1995	Children of families on IS ⁶³⁶	IS, FC and DWA recipients and their dependants	None.	IS, FC and DWA recipients and their dependants

With regard to the civil legal aid scheme in 1995, Table 8-2 shows that benefit receipt was not a good proxy for eligibility. Another way of putting this is that the means test for civil legal aid was rather more generous than that for Income Support and Family Credit. Some 9.5 per

⁶³¹ I was not able to obtain this information.

⁶³² Supplementary Benefit (1966-1988), the main income maintenance benefit. It has been replaced by Jobseeker's Allowance and Income Support.

⁶³³ Family Income Supplement (1971-1988), an income maintenance benefit for working families with children on a low income. It has been replaced by the Working Families' Tax Credit.

⁶³⁴ Supplementary Benefit (1966-1988), the main income maintenance benefit. It has been replaced by Jobseeker's Allowance and Income Support.

⁶³⁵ Family Income Supplement (1971-1988), an income maintenance benefit for working families with children on a low income. It has been replaced by the Working Families' Tax Credit.

⁶³⁶ Supplementary Benefit (1966-1988), the main income maintenance benefit. It has been replaced by Jobseeker's Allowance and Income Support.

cent of benefit units were not passported but fully eligible on the means test, and a further 26.1 per cent were partially eligible but not passported.

Table 8-2 % of adults eligible for civil legal aid, 1995

		BUs eligible on benefit receipt i.e. 'passported'	
		Eligible for full legal aid	Not eligible
BUs eligible on income	Eligible for full legal aid	4.4%	9.5%
	Eligible for partial legal aid	10.9%	26.1%
	Not eligible	3.5%	45.6%

Table 8-2 also shows that 3.5 per cent of benefit units were able to get full legal aid through receipt of a passport benefit, who would not otherwise have been eligible at all under the means test. However, more significant is the 10.9 per cent of benefit units which were passported from part legal aid to full legal aid. Full legal aid is considerably more valuable than part legal aid, because the contributions required for part legal aid are fairly high.

There are two possible explanations and implications of this:

- i) It might suggest that the means test for legal aid was in fact stricter than that for Income Support. This might be concerning if it meant that people who were on similar levels of income to Income Support recipients were not eligible.
- ii) Or, it might be these people were receiving Income Support in error (or that the FES recorded them as receiving IS in error). In this case there are implications for the accuracy of IS administration and/or data collection by the FES (see section 8.1.1 above on this point).

In order ascertain which explanation was more plausible, I analysed passporting by income decile, and the results of that analysis are presented in Chart 8-28. This shows that most of the benefit units in receipt of Income Support but who would not have been eligible on the

means test were in the upper income deciles. This suggests that the second reason is more likely.

Chart 8-28 % of BUs which benefited from passporting of civil legal aid, by income decile, 1995

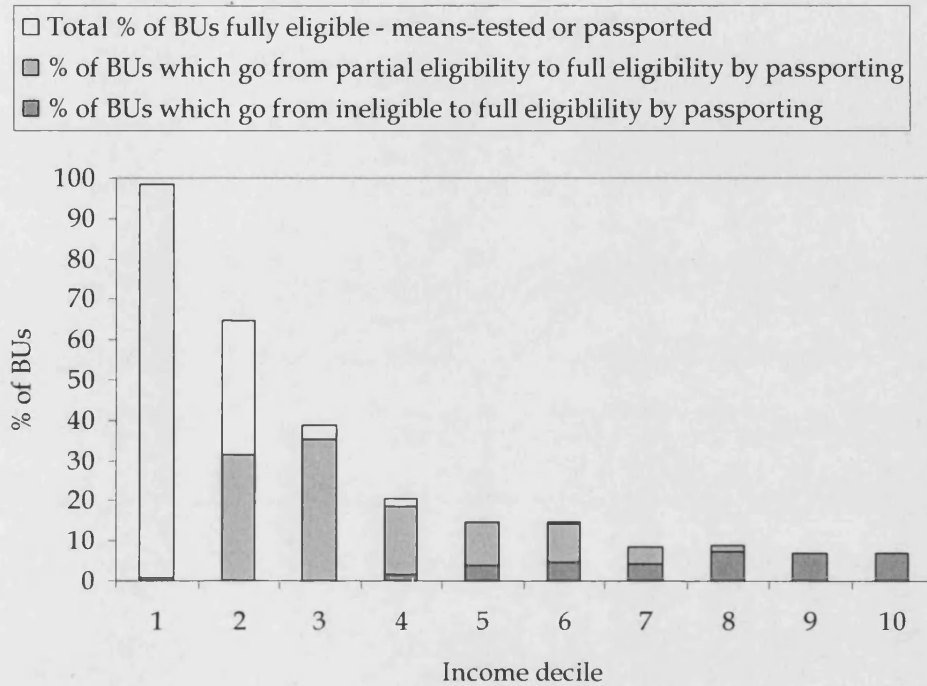


Table 8-3 % of adults eligible for free prescriptions, 1985

Adults eligible on 'status exemptions' or income	Adults eligible on benefit receipt i.e. 'passported'	
	Eligible	Not eligible
	Eligible	4.7%
Not eligible	4.0%	62.7%

Similar conclusions arise from an analysis of eligibility for free prescriptions: Table 8-3 shows that 4 per cent of adults were able to get

client, who would not
st or the other
umber and most of the
me deciles, as with civil
raction of the total
it receipt. Therefore

free prescriptions through receipt of a passport
otherwise have been eligible under the means tes
exemptions. However, this is a relatively small n
people concerned are probably in the upper inco
legal aid in 1995. It also shows that only a small f
people eligible were eligible on the basis of benef

passporting is demonstrated by the 28.5 per cent of BUs not on a passport benefit who were nevertheless eligible.

8.3 In which year was the means test most generous?

It is interesting to know in which year the means tests were most generous because writing on the welfare state in general usually suggests that 1975 was the high point of generosity, while the 1980s witnessed cut-backs. One way to examine generosity is to look at the *value of the benefit*. Those results are discussed in greater detail in chapter 1. Another way to study the generosity of these benefits is to look at total government expenditure on them (see chapter 4). However, it is the *combination* of the value of the benefit to the recipient, the income level for eligibility, and the actual numbers eligible which gives a means tested benefit its distinctive character of giving 'much to the few' or 'little to the many'.

I therefore constructed a 'generosity index' based on the multiple of the value of the benefit⁶³⁷ and the results on relative coverage of the benefits from section 7.2.⁶³⁸ I used 1975 as the base year for the index because that was the only year for which I had sufficient data for all the benefits. There is an index of zero for free prescriptions in 1965 because everyone was entitled to free prescriptions, and there was no means tested benefit.

⁶³⁷ 'Value' here refers to the cost of the item had the beneficiary had to pay for it. See Chapter 1 for a fuller definition of 'value' in this context.

⁶³⁸ I.e. it is based on numbers eligible at given income levels, rather than actual numbers eligible in each year.

Chart 8-29 'Generosity Index' version 1 (1975=100)

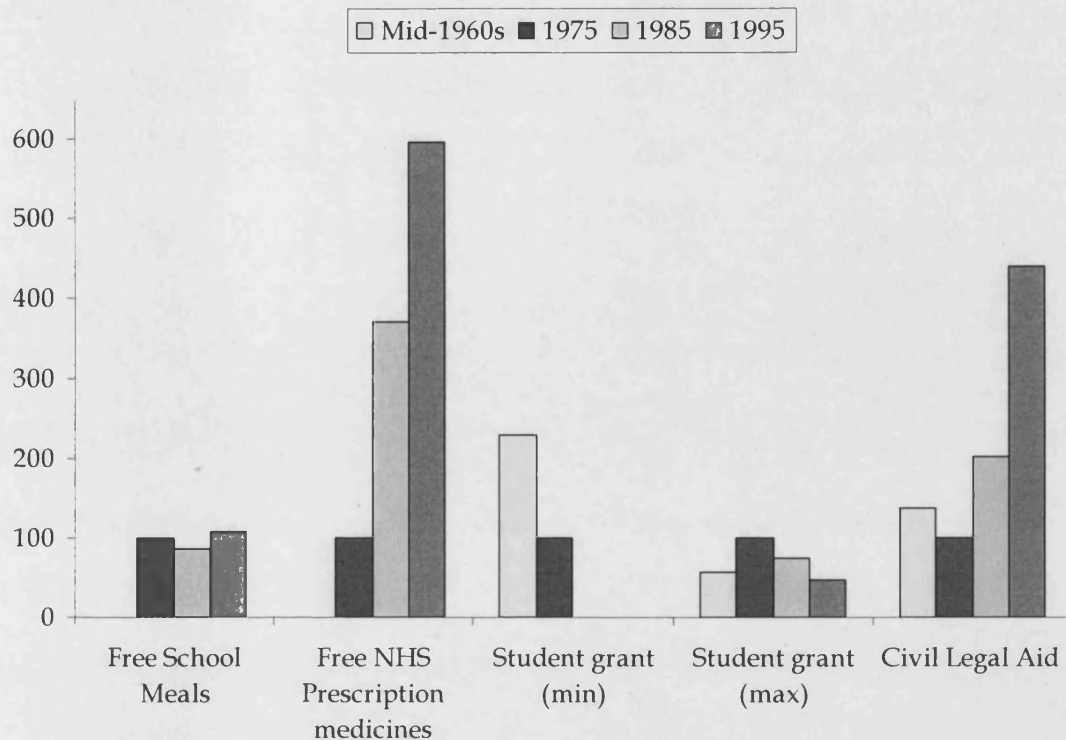


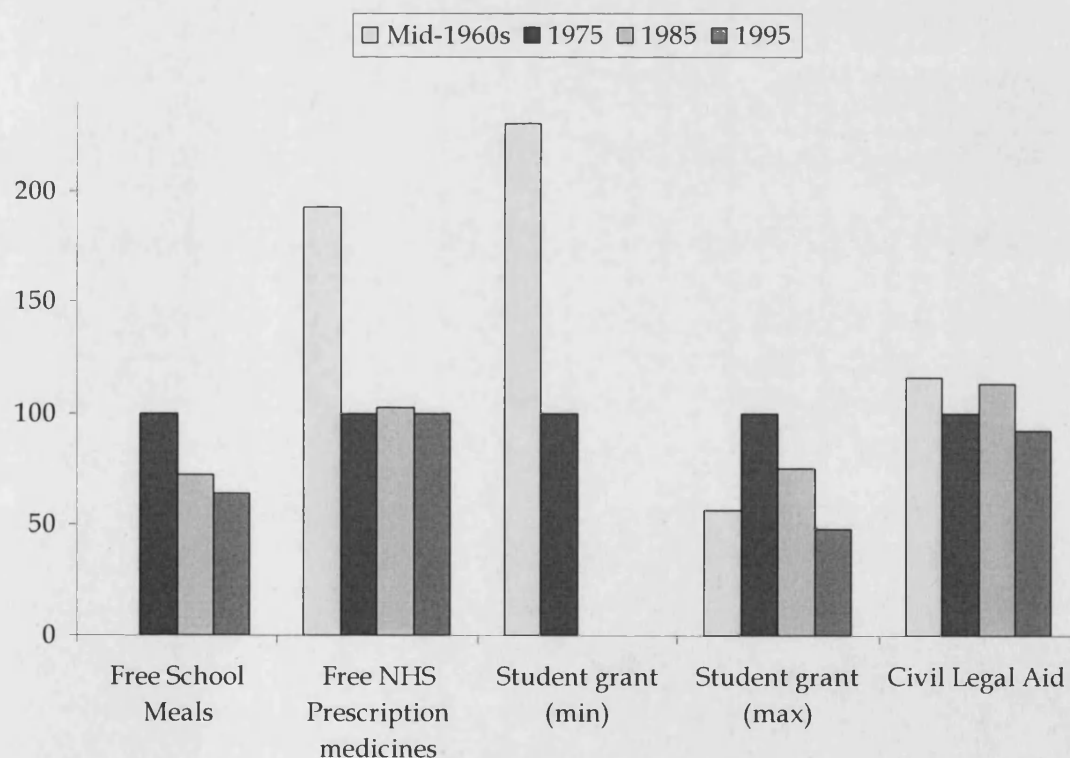
Chart 8-29 does not suggest any particular year as being a height of generosity. However, it shows the worth of looking at the value of the benefit and the income threshold for eligibility in combination. For example, Chart 8-29 highlights that for student grants, although the numbers eligible changed little over time once the decrease in the monetary value of the grant is taken into account, 1975 was indeed the peak of generosity for the maximum grant. Chart 8-29 shows the overall effect over time of decreasing the value of the grant received by those eligible, yet cutting numbers eligible, a different perspective from that offered by looking at actual numbers eligible or income threshold for eligibility.

However, it might be argued that the generosity of free school meals and free prescriptions was driven mainly by an increase in the charge for the service to those people who had to pay, a charge which was not directly related to the value of the service and therefore says nothing about the quality of the goods provided through the means tested benefit.

Similarly, with civil legal aid, some of the apparent increase in generosity is down to the increase in solicitor's fees per case, but the service to legal aid recipients remained essentially the same.

I therefore tried a different version of the generosity index. In this instance, the method for calculating the index was slightly different for different types of benefit. For free school meals, free prescriptions and civil legal aid, the index was based solely on the proportion of people eligible. For the maximum student grant, I derived the index using a combination of the value of the benefit and the proportion of people eligible for the full grant. For the minimum student grant the index is based only on the value of the grant, as students did not have to undergo a means test to receive it

Chart 8-30 'Generosity Index' version 2 (1975=100)



The combination of value of benefit and income level for eligibility leads to the conclusion that there was no obvious peak of generosity in 1975, as

can be seen in Chart 8-30. The peaks of generosity for civil legal aid were 1965 and 1985, not 1975.

Does the generosity index say anything about whether middle class benefits were cut? The generosity of student grants was cut, so there is no evidence of middle class capture there. Legal aid was only cut back after a previous large increase in generosity. Prescriptions, a 'low income' benefit was an instance where there was *not* some form of significant cut, at least not after the mid-1960s. This confirms the earlier result that eligibility for benefits cannot be generalised as either middle class capture or restriction to those on the lowest income.

This analysis also shows that there was no coherent overall direction of policy, except that 'generosity' was cut for all benefits between 1985 and 1995. There was no high point of generosity in the 1970s.

8.3.1 Were means tested benefits subject to middle class capture?

It has been established repeatedly that the middle class derived benefit from the welfare state, and in some areas, such as education, they received disproportionate benefit.⁶³⁹ The middle class capture theory suggests that services for which the middle class are users and providers are less likely to be subject to cuts than benefits used by lower income groups.⁶⁴⁰ Based on public choice theory, the hypothesis is that politicians under pressure to make cuts will seek to minimise vote loss, by modifying expenditure patterns so as to minimise the dissatisfaction of potential users, by cutting services with the lowest demand or needed by

⁶³⁹ Le Grand is associated with this view. See Le Grand, J., *The strategy of equality: redistribution and the social services* (London: George Allen & Unwin, 1982) and Le Grand, Julian and D. Winter, "The Middle Classes and the Welfare State under Conservative and Labour Governments," *Journal of Public Policy* 6 (1987): 399-430.

⁶⁴⁰ Goodin, Robert E. and Julian Le Grand, eds., *Not Only the Poor: The Middle Classes and the Welfare State* (London: Allen & Unwin, 1987) However, not all evidence supports this view. See Glennerster, Howard and William Low, "Education and the Welfare State: Does it Add Up?," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.43.

the smallest group. The theory emphasises the importance of the middle class as a pressure group affecting welfare expenditures because of their political power. As Le Grand put it: 'the extent to which the middle classes used or were employed by the service in question would be crucial in determining its fate'.⁶⁴¹ It can be inferred from this theory that means-tested benefits which were primarily for the poor were most likely to be subject to cuts.

Le Grand and Winter tested this proposition systematically using data on changes in public expenditures and needs across a wide variety of welfare services to estimate the relationship between them and indicators of middle class benefit over the 1974-1979 Labour government and the first Thatcher government.⁶⁴² The results for the Labour period were ambiguous. However the results for the Conservative period showed that services extensively used by the middle class (although not necessarily with a high percentage of middle class employees) fared better relative to need than those used primarily by the less well-off. Did middle class capture hold true for non-income maintenance benefits? Or, on the contrary, did the benefits become ever more concentrated on the lower end of the income distribution? Whether benefits became ever more concentrated on the bottom end of the income distribution is an important issue because it can reveal whether there was an increasing social division between recipients and non-recipients. Any increasing social division might undermine taxpayer support for the welfare state, whereas retention of middle class benefits might enhance taxpayer support for state services.

⁶⁴¹ Le Grand, Julian, "The State of Welfare," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.345.

⁶⁴² Le Grand, Julian and D. Winter, "The Middle Classes and the Welfare State under Conservative and Labour Governments," *Journal of Public Policy* 6 (1987): 399-430.

To address benefits to the middle class, I considered the changes in overall actual eligibility over time (from section 7.1), the changes in the income threshold for eligibility over time (7.2), the distribution of the benefits by income(8.1), and my 'generosity index'(8.3). This was different from the original formulation of the theory, which was couched in terms of public expenditure. I defined 'middle class' as the top 40 per cent of the income distribution although, of course, the contested concept of class does not relate solely to income.⁶⁴³ This definition encompasses the very well off, the top 5 per cent of incomes, as well as the middle, but that does not matter for these purposes. Chart 8-5 to Chart 8-9 establish that student grants and civil legal aid were middle class benefits. Student grants and civil legal aid went quite far up the income distribution, reflecting their aims to protect the lifestyle to which the beneficiary was accustomed, and promoting individual mobility for the educationally elite.

The analysis in previous sections of this chapter on the change over time in the numbers of people eligible (section 7.1) and the income thresholds for eligibility (section 7.2) show that middle class benefits were not protected from cuts, as suggested by the theory. Student grants did not suffer much of a cut in numbers eligible, but did experience a distinct cut in the value of the benefit. The distributional results show that entitlement to legal aid had crept above the poor by 1985, to cover more of the middle class. However, by 1995, eligibility of middle income groups had been reduced again. This observation seems to dent middle class capture theory. The theory suggests that free school meals might be vulnerable to cuts, and my results bear this out. However, free

⁶⁴³ There is no consensus definition of 'middle income', so my definition is inevitably somewhat arbitrary. However, it corresponds with Will Hutton's idea of a 'thirty, thirty, forty society'. He argues that the first 30% are disadvantaged, the second 30% are insecure, and the last category is the privileged. Hutton, Will, *The State We're In* (Jonathan Cape, 1995) pp.106-108.

prescriptions also had a narrow scope on the poor, yet were not cut back, although theory suggests they might be vulnerable to cuts.

The results suggest that eligibility for benefits cannot be generalised as either middle class capture. One might ask whether the explanation is that middle class benefits simply suffered less cuts than might otherwise have been expected, in a 'softer' version of the theory. For example, the middle class benefits continued to cater for the non-poor: legal aid was only cut back after a large increase in eligibility. Unfortunately, it is very difficult to test this version of the theory.

Le Grand himself accepted that the theory does not entirely hold, especially in the health service and higher education, although he maintained with regard to public spending on welfare, 'both changes in needs and middle-class interests were important influences on the overall pattern'.⁶⁴⁴ Nevertheless, in conclusion, middle class capture is not a good explanation of who benefited and how that changed over time.

Prescriptions were the only case where there was not some form of cut between 1975 and 1995. This was non-middle class. In other words, benefits for poor were not all cut and middle class benefits were not protected from cuts.

8.4 Take-up and comparison with other eligibility estimates

Although eligibility is of interest in its own right, take-up is also an important issue. By 'eligibility' in the discussion so far I have referred to theoretical eligibility to receive a benefit. There are many reasons why eligible people may not claim their entitlements, the so-called problem of 'take-up'.⁶⁴⁵ I have not carried empirical research into why people do not claim, but I compared the published figures on the numbers of people

⁶⁴⁴ le Grand, Julian, "The State of Welfare," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.347.

⁶⁴⁵ See Chapter 3 section 3.3.1

who did claim (from chapter 4) with my calculations of the numbers eligible and estimate the level of take-up achieved. I compared the numbers recorded in the FES data as receiving the benefit with my calculations of the numbers eligible for the benefits where this was possible.

In addition, I compared my eligibility estimates with the other estimates of eligibility which are available. However few such estimates of eligibility exist; the absence of such estimates is one reason why the microsimulation approach used in this dissertation is necessary.

8.4.1. School meals

The data presented thus far do not indicate what proportion of those children entitled to free school meals actually ate them. The take-up of free school meals has been called into question frequently throughout their history. A 1967 Ministry of Social Security report concluded that only 60 per cent of children having school meals and entitled to them free did receive their meals free of charge.⁶⁴⁶ A small scale study in 1971 found that only 68 per cent of households eligible for free school meals were receiving them.⁶⁴⁷

Wilson found that in 1978-9 20 per cent of school children were eligible for free school meals.⁶⁴⁸ This corresponds with my finding for 1975 that

⁶⁴⁶ Ministry of Social Security, *Circumstances of Families* (London: HMSO, 1967) p.15. Cited in Townsend, Peter, *The Scope and Limitation of Means-Tested Social Services in Britain* (Manchester Statistical Society, 1972).

⁶⁴⁷ Meacher, Molly, *Rate Rebates: A Study of the Effectiveness of Means Tests* (London: Child Poverty Action Group, 1972) Cited in Townsend, Peter, *Poverty in the United Kingdom: A survey of household resources and standards of living* (Harmondsworth: Penguin, 1979) p.861, and Lister, Ruth, *Take-up of Means-Tested Benefits* (London: CPAG, 1974) p.11.

⁶⁴⁸ Wilson, Paul, *Free School Meals: a survey carried out on behalf of the Department of Education and Science* (London: Office of Population Censuses and Surveys, 1981) Cited in Deacon, Alan and Jonathan Bradshaw, *Reserved For The Poor: The Means Test in British Social Policy* (Oxford: Blackwell, 1983) p.127, Cooper, Steven, *The Education and Training Benefits* (London: Policy Studies Institute, 1985) p.62, and Bisset, Liz and Jean Coussins,

20 per cent of school children were eligible. Wilson found that almost half of these children (9 per cent of the total) were eligible through receipt of 'passport' benefits SB and Family Income Supplement. The remainder (11 per cent of the total) being eligible according to the national low income criteria used at that time. However, I found the ratio to be 6.5 per cent and 13.5 per cent of children respectively.

Wilson found only 60 per cent of the eligible children did receive the free meals. My estimate for 1975 is more like 50 per cent take-up based on others' data on receipt.⁶⁴⁹ Using information on receipt in the FES I also estimated take-up to be around 50 per cent. Wilson reported that take-up among those eligible by reason of low income was only 36 per cent. I found it to be 30 per cent of children in 1975. However, Wilson found that take-up was higher (74 per cent) among families automatically eligible through receipt of a 'passport' benefit. I too found that for 1975, take-up among those passported was higher at 82 per cent. Like Wilson, I found that in more than 25 per cent of 'passported' families the parents were paying for their children's school dinners.

Although Wilson and others considered take-up to be no higher than 60 per cent, *The Black Report* of 1980 stated that the Department of Education estimated that 75-80 per cent of children eligible to receive school meals free were in fact receiving them.⁶⁵⁰ An estimate of take-up of free school meals in 1983 showed a 70 per cent take-up rate among all those

Badge of Poverty: a new look at the stigma attached to free school meals (London: Child Poverty Action Group, 1982) p.12.

⁶⁴⁹ Figures on actual receipt from Figure 4-8.

⁶⁵⁰ Black, Sir Douglas et al., *The Black Report*, 1992 ed. (London: Penguin, 1980)p.179.

eligible.⁶⁵¹ Similarly, in 1988 and 1997, take-up was estimated to be 80 per cent.⁶⁵²

My estimate was 65-70 per cent take-up in 1985, using FES data on recorded receipt, and 75 per cent using data on receipt from other sources⁶⁵³. Using FES data I found that 3 per cent of eligible children had paid for their meals in the previous 7 days. My estimate of take-up is 70 per cent in 1995⁶⁵⁴, based on 18.6 per cent of school children receiving free meals, out of a total of 26.6 per cent of children eligible.

In summary, the proportion of families entitled, yet choosing to pay diminished over time. However, rather than being a positive development, this was probably driven by the restriction of the benefit to the poorest families.

8.4.1. Prescriptions

How many people took advantage of free prescriptions? In 1963, before prescription charges were abolished, 227m prescriptions were dispensed in Great Britain. About 32m went to people on National Assistance and 195m to people not on National Assistance. The charge was reclaimed from the NAB in about 1,650,000 cases, which is well under 1 per cent of the total number of prescriptions dispensed. A rough estimate published in *Poverty* suggested that the proportion of prescription charges refunded, excluding people on National Assistance, should have been about 5 per

⁶⁵¹ Bradshaw, Jonathan, "Tried and found wanting: the take-up of means-tested benefits," in Ward, Sue, ed., *DHSS in Crisis: Social Security - under pressure and under review* (London: CPAG, 1985) p.107.

⁶⁵² Department for Education and Employment, *Statistics of Education* (London: DfEE, 1997) Cited in McMahon, Will and Tim Marsh, *Filling the gap: Free school meals, nutrition and poverty* (London: Child Poverty Action Group, 1999) p.1; Cole-Hamilton, Issy, Jo O'Rourke, and Sue Dibb, *School meals* (London: Child Poverty Action Group/Food Commission, 1991) p.9.

⁶⁵³ See Figure 4-8.

⁶⁵⁴ See Figure 4-8. For 1995 I could not estimate take-up using recorded receipt from the FES because receipt of free school meals was not recorded in the 1995/6 FES.

cent and possibly higher.⁶⁵⁵ Put another way, an article in the same journal estimated that in the pre-1965 prescription charges scheme, a fifth or less of low paid workers and their families, claimed the refunds on the grounds of low income to which they were entitled.⁶⁵⁶

During 1970, 15,000 free prescriptions were issued on grounds of low income to those receiving neither Supplementary Benefit nor Family Income Supplement. In 1971 this figure rose to 69,000 because of an advertising campaign, but it fell again to 38,000 in 1972.⁶⁵⁷ On 19th October 1971, 63,000 people held exemption certificates on grounds of low income.⁶⁵⁸

In 1979, 18,828 people held exemption certificates entitling them to free prescriptions on low income grounds (other than under passport arrangements).⁶⁵⁹ The number of new claims for exemption or for a refund of charges on low income grounds dealt with by the SBC local offices was 41,932 in 1979.⁶⁶⁰

However, the record on take-up of means tested pharmaceutical benefits was consistently poor. Although figures did not exist for the numbers eligible on grounds of low income for free prescriptions, the numbers of recipients were estimated to be only a small proportion of those entitled, even by the Supplementary Benefits Commission, which was responsible for the administration.⁶⁶¹ A survey carried out in 1972 looked specifically

⁶⁵⁵ "Health and Hardship," *Poverty* 6 (1968): 11-13 p.13.

⁶⁵⁶ "Prescription for Ignorance," *Poverty* 8 (1968) p.1.

⁶⁵⁷ Lister, Ruth, *Take-up of Means-Tested Benefits* (London: CPAG, 1974) p.6.

⁶⁵⁸ *House of Commons Hansard*, v. 827, 9 December 1971, Written Answers, col. 375-6.

⁶⁵⁹ Supplementary Benefits Commission, *Annual Report of the Supplementary Benefits Commission* (London: HMSO, 1980) p.154.

⁶⁶⁰ Supplementary Benefits Commission, *Annual Report of the Supplementary Benefits Commission* (London: HMSO, 1980) p.154.

⁶⁶¹ Child Poverty Action Group, *An Incomes Policy for Poor Families: A Memorandum to the Chancellor of the Exchequer* (London: CPAG, 1973) p.5; Lister, Ruth, *Take-up of Means-*

at those who had used or needed prescriptions in the last 12 months. The disparity of take-up between different categories of claimants was marked. 'Only two out of 54 (3.7 per cent) of those eligible on a direct means test had claimed free prescriptions when they had needed them, compared to 63 out of 82 (76.8 per cent) of those able to claim on the supplementary benefit/Family Income Supplement passport, and 89 out of 92 (96.7 per cent) of those claiming on grounds other than low income.'⁶⁶² Another survey from the early 1970s in Islington found that only 16 per cent of those eligible on grounds of low income had claimed free prescriptions.⁶⁶³ The Minister of Health himself admitted in 1979 that, among those qualifying for free prescriptions on the grounds of low income, 'only a very small percentage of those eligible claim exemption'.⁶⁶⁴

After the 1970s, I did not have figures for the numbers of people holding exemption certificates. However, I compared the number of free prescriptions dispensed with the numbers eligible. According to my estimate the number of people eligible for free prescriptions on the basis of income, benefit receipt or status exemption rose from 22.3m in 1975 to 29.4m in 1995. This is shown in Chart 7-5 . However, the number of free prescriptions dispensed more than doubled from 225m to 500m between 1975 and 1995.⁶⁶⁵ However, the more than proportional increase in free

Tested Benefits (London: CPAG, 1974) p.6; Field, Frank, *Poverty: The Facts* (CPAG, 1975) p.41; Supplementary Benefits Commission, *Annual Report of the Supplementary Benefits Commission* (London: HMSO, 1980) p.154; Lister, Ruth, *Moving Back to the Means Test* (London: CPAG, 1980) p.21; Deacon, Alan and Jonathan Bradshaw, *Reserved For The Poor: The Means Test in British Social Policy* (Oxford: Blackwell, 1983) p.94; McGuigan, Sean, *Compendium of Health Statistics*, 10th ed. (London: Office of Health Economics, 1997) p.55.

⁶⁶² Lister, Ruth, *Take-up of Means-Tested Benefits* (London: CPAG, 1974) pp.11-12.

⁶⁶³ Lister, Ruth, *Take-up of Means-Tested Benefits* (London: CPAG, 1974) p.12.

⁶⁶⁴ *House of Commons Hansard*, v. 968, 13 June 1979, col 253. Quoted in Lister, Ruth, *Moving Back to the Means Test* (London: CPAG, 1980) p.21.

⁶⁶⁵ See Chapter 4 section 4.1.1

prescriptions dispensed does not prove that take-up increased dramatically: it could be that the people with status exemptions were receiving more prescriptions medicines per capita. Given that all pensioners are exempt from the prescription charge, this explanation is exceedingly likely.

I could also compare my eligibility estimates with take-up as recorded in the FES data. The limitation of this is that the question in the survey only asked about prescriptions received in the previous seven days, and relatively few people would have needed medicines in the previous seven days. It would have been useful for my purposes to know about free and paid-for prescriptions in the previous 6 months. There were 1 per cent of benefit units recorded as receiving free prescriptions in the previous 7 days in 1985, which were not eligible on the 1985 means test or the status exemptions I could test for. I have assumed that these prescriptions were for contraceptives or certain medical conditions.

8.4.1. Student grants and civil legal aid

These benefits are hard to fit into the usual concepts and measures of take-up. It is more tricky to estimate take-up for these benefits because people are likely to need legal services infrequently, and there is no data on the financial circumstances of people who pay a solicitor privately. The SBC stated that during the period 1950 to 1974 the percentage of the population qualifying for legal aid on financial grounds had fallen from 80 per cent to 40 per cent.⁶⁶⁶ However, I estimated eligibility to have been 56 per cent in 1975.

⁶⁶⁶ Supplementary Benefits Commission, *Annual Report of the Supplementary Benefits Commission* (London: HMSO, 1980) p.156. The figure of 40% in 1973 is also offered in Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.17 and Gray, Alistair M, "The Reform of Legal Aid," *Oxford Review of Economic Policy* 10, no. 1 (1994): 51-67 p.57.

The same SBC report stated that from April 1979 the substantially higher financial limits made legal aid available to over 70 per cent of the population.⁶⁶⁷ In 1986, the then Lord Chancellor, Lord Hailsham, asserted that cuts in dependants' allowances since 1979 had been 'practically unobservable' and reasserted that around 70 per cent of the population met the income criteria for grant of civil legal aid.⁶⁶⁸ My figure of 65 per cent eligibility in 1985 supports that claim and casts doubt on the claim of the Legal Action Group in 1992 that eligibility for civil legal aid had 'fallen substantially from the levels to which it was raised just before the Labour government lost office in 1979.'⁶⁶⁹ LCD produced statistics which indicated a fall from 73.9 per cent (1979) to 66.1 per cent (1990) of the population eligible.⁶⁷⁰ The LCD included the effect of changes introduced in April 1990 allowing children to apply for legal aid on the basis of their own income and capital, not that of their parents, which would boost the post-1990 eligibility figures. This is legitimate in relation to personal injury cases, but most legally aided cases actually concern adults. Following the LCD method and counting all children as eligible after 1990, I estimated a slight fall from 62 per cent of people eligible in 1985 to 59 per cent in 1995.

⁶⁶⁷ Supplementary Benefits Commission, *Annual Report of the Supplementary Benefits Commission* (London: HMSO, 1980). Another report estimated eligibility in 1979 to be over 79%, see Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.8. The figure of 79% in 1979 is also given in Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997) p.17.

⁶⁶⁸ *House of Lords Hansard*, 18 March 1986, col. 921, quoted in Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.24.

⁶⁶⁹ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.24. Another estimate of eligibility from 1979 to 1989 was made using the FES by Murphy, Michael, *An analysis of the differences in eligibility for civil legal aid in 1989* (unpublished,) Unfortunately I was unable to obtain a copy of the original report to compare with my estimates. However, Murphy assumes housing costs of around £70, whereas I have used the actual housing costs of the family, as the legal aid means test does, which suggests my figures may be the more accurate.

⁶⁷⁰ Review of Financial Conditions for Legal Aid, Eligibility for Civil Legal Aid: a consultation paper, Lord Chancellor's Department, 1991, p.85

However, I would concur with the observation that: 'Much of the debate about levels of eligibility has been conducted with regard to the proportion of the population eligible on grounds of income. No overall figures for eligibility can be given because the government produces no reliable statistics on savings and other matters relevant eligibility under the capital criteria.'⁶⁷¹ I have estimated capital holdings to produce my figures, but they remain estimates.

My estimate of 54 per cent eligibility in 1995 is validated by another study which stated that 50-60 per cent of population were entitled to legal aid in 1993.⁶⁷² My estimate is more optimistic than the one provided by the government of 47 per cent of households eligible in 1995 on income grounds.⁶⁷³ Some of this discrepancy may be because of the confusion between households and the benefit unit actually used in the means test. It also unclear whether passported families were included in these figures. However, my figures generally support the story that after a rise in eligibility in the late 1970s, eligibility was cut from the mid-1980s.⁶⁷⁴

In the case of student grants, nearly all students who had been accepted would have applied for a grant, especially in the period when a minimum grant was payable to all students. A more relevant way of measuring take-up would be to look at eligible people who decided not to do a degree for financial reasons, and figures are not available on this group of people.

⁶⁷¹ Legal Action Group, *A Strategy for Justice: Publicly funded legal services in the 1990s* (London: Legal Action Group, 1992) p.24.

⁶⁷² Cousins, Mel, "Civil legal aid in France, Ireland, the Netherlands and the United Kingdom - a comparative study," *Civil Justice Quarterly* 12 (1993): 154-66 p.159.

⁶⁷³ *Hansard*, 21 April 1992, Written Answer, col. 590.

⁶⁷⁴ See, for example, Smith, Roger, *Justice: redressing the balance* (London: Legal Action Group, 1997), Gray, Alistair M, "The Reform of Legal Aid," *Oxford Review of Economic Policy* 10, no. 1 (1994): 51-67.

8.5 Conclusion

The results presented in this chapter show that the benefits were not effectively targeted on people in the bottom two income deciles, especially in the mid-1990s. Analysis of the characteristics of entitled and non-entitled benefit units showed that there were no observable characteristics which provided a close proxy to entitlement and which therefore could have been utilised in place of a means test. The results reveal change over time in the generosity of the welfare state. However, it shows that there was no coherent overall direction of policy: some tests become more generous, other less so. There was no high point of generosity in the 1970s. The results also suggest that eligibility for benefits cannot be generalised as either middle class capture or restriction to those on the lowest incomes: the four benefits which I examined demonstrated very different patterns of eligibility.

9 Conclusion

The purpose of this section is twofold; firstly, I provide a summary assessment of how effectively means tests achieved their objectives, and secondly, to identify the causes of change in the outcomes of the benefits. I conclude with the lessons analysts of the welfare state and policy makers can learn from that experience.

9.1 Objectives and outcomes

How far did the means tests produce outcomes which were in line with the objective intended at the outset? Did changes in the government's intentions feed through 'on the ground'? Did political intentions make a difference to people in practice? In particular, did the means test target the desired groups? This is important, because real policy - as opposed to stated policy - is what is actually implemented, which may differ from what was intended, let alone promised. Answering these questions involves bringing together the political history of Chapter 4 and 5 and my results on the outcomes of means testing from Chapters 7 and 8.

A stated objective to cut actual eligibility was not always successful. In particular, the rising number of people on low incomes, especially on Income Support, frustrated desired cutbacks to actual proportions eligible for free school meals and civil legal aid. It also meant that numbers eligible for free school meals increased, although the policy intention was expressed in terms of desire to restrict eligibility to those on a low income, rather than to restrict overall numbers eligible, and in lowering the eligibility threshold, the government was successful. Where there was a stated intention to cut the income threshold for eligibility (as opposed to actual eligibility) i.e. for school meals and civil legal aid after 1985, this was achieved. On the other hand, the fall in eligibility for the student grant 1985-1995 occurred because of rising high incomes, rather than

because of cuts in the test, but still, the intention of reducing eligibility was achieved.

There were deliberate attempts to make cuts to overall spending levels on all these benefits (except free prescriptions) from the mid-1980s.

However, achievement of actual savings was limited as the cost of providing the service increased (legal aid) or there were more people on low incomes (meals, prescriptions, legal aid). Only in student grants were there dramatic cuts in generosity, and in that case the cut in the real value of the grant saved far more than cuts in eligibility. Political pressure to reduce expenditure went into decreasing the value of the grant received by those eligible, rather than by cutting numbers eligible.

Another way of looking at this could be that the objective could be desire for overall budgets in a given area to be stabilised. The best example of this is student grants, followed by civil legal aid. The rising number of student grants forced cuts in eligibility. The rising cost of cases forced lower eligibility for legal aid. This explains why 'need' thresholds moved around, because policy was driven by an overall budget, rather than needs. In other words, it is noticeable that there was no consistent operational definition of 'need': the average income level for entitlement moved around. The scope of the types of families who would be eligible under the means test changed. There appears to be no consistency between the benefits in the changes to the means test. The mixture of distributional outcomes and the overall eligibility patterns demonstrate that need or poverty were defined in effect differently in different decades and for different benefits. But the underlying factor in change to the income threshold was containment of overall budget. In these instances, it was overall budgets, rather than issues of principle, which drove changes to the means tests' eligibility thresholds. Instead benefit expenditure on non income maintenance benefits was treated as a flexible item by the Treasury and the eligibility levels were adjusted to take account of the budget available.

However, the ambition to make cuts in eligibility did in fact filter through to an outcome 'on the ground', whether that was in actual eligibility levels, or simply the income threshold for eligibility. Exceptionally, the Labour government did announce a large increase in eligibility for civil legal aid in 1979, and the achievement of this objective is borne out by the data which show an increase in actual eligibility and income levels for eligibility over 1975-1985.

Another way of looking at whether the objectives were achieved is how well targeted distributionally the outcomes were, given that means tests were justified in the basis that they helped those on low incomes. This is worth considering because, as A. Corden has said: 'Social security is effective only in so far as provision reaches those for whom it is designed.'⁶⁷⁵ Free meals were meant just as a social security measure for poor children, not intended for the middle class. The concentration of the distributional pattern of eligibility on the bottom two deciles (see previous chapter) corresponds with that aim, although results suggest that there were also significant numbers of families in the bottom two income deciles that were ineligible. As with free school meals, free prescriptions were never intended for the middle class from 1968 onwards. The government stated in 1968 the objective: 'We have exempted those most likely to suffer hardship through paying the charges'.⁶⁷⁶ Did the distributional pattern of eligibility correspond with the aims? Results show a concentration of eligibility on the bottom two deciles which does correspond with that aim. However, on the question of whether free prescriptions reached the poor they were intended for, the results show that there were families in the bottom two income

⁶⁷⁵ Corden, Anne, "Claiming entitlements: take-up of benefits," in Ditch, John, ed., *Introduction to Social Security* (Routledge, 1999), 134-155 p.139.

⁶⁷⁶ Mr Crossman in reply to Mr Dance, *House of Commons Hansard* v. 722 4 November 1968, col. 457.

deciles which slipped through the net. All those people in the bottom two deciles were eligible for student grants, although there is a question of whether the value of the grant was enough to make time in higher education feasible for people on such low incomes. The objective of legal aid was supposedly to secure access to legal services, for those who could not afford it otherwise, although 'afford' was not defined, except by default within the means test. Nevertheless, it is safe to presume that those people in the bottom two deciles could not afford legal costs. In 1975 and 1985 there were people in the bottom 20 per cent of the income distribution who were ineligible for legal aid, but that situation had been improved by 1995.

The large proportion of people in the bottom two deciles who were ineligible for free school meals, free prescriptions and civil legal aid at various points in time suggests that the ambition to target the most needy was compromised, even though overall eligibility goals were achieved. What this study has shown is that even if all those eligible had 'taken-up' their entitlements, at various points in time there were ineligible families in the bottom two deciles. Although intentions behind provisions may be straightforward, policies will have unexpected, as well as expected, consequences. I have been able to reveal the unexpected. This finding concurs with the remark of M. Mullard, that the discrepancy between 'the rhetoric of policy statements and the realities of policy outputs' needs to be studied.⁶⁷⁷

There is evidence of intentions behind means tests for non-income maintenance benefits. They were not restricted to helping the most needy. This could be the reason for ineffective targeting, which I have identified. The existence of non-entitled families in the bottom two deciles is suggestive of a priority being placed on restricting eligibility

⁶⁷⁷ Mullard, Maurice, "Review of Robert F. Drake, 'The Principles of Social Policy'," *Journal of Social Policy* 31, no. 3 (2002): 561-562 p.562.

rather than ensuring that all the needy were protected. The means test often veered towards restricting eligibility, rather than ensuring all on low incomes were protected. Meeting objectives therefore depends on the extent of conflict among the varying high-level objectives. Another reason why the objective of helping all the potentially needy might not have been met is that government was always unwilling to form any definition of 'the needy' in the context of need for any particular item of consumption. This also perhaps explains why some of the benefits were relatively poorly targeted.

9.2 Explaining the outcomes

As the previous section suggested, there were influences on eligibility other than the intentions of policy, which sometimes meant that the objectives were not met. Where the outcomes did not meet the objectives, or changes were not associated with any major policy announcements, then additional explanatory factors are needed. Not all change can be explained by high-level policy announcements. There were key points in the history of student grants, civil legal aid and school meals, but these do not explain change at other times. This section explores these other influences further. What, then, are the crucial explanatory factors of change in non-income maintenance benefits? What was driving change in overall numbers eligible, and the kinds of people eligible, and the changing definition of 'need'? The causes of change in non-income maintenance benefits can be split between three broad elements of the policy process:

- i) A change in high political objectives, either ideological or imposed by external spending constraints, such as high-level decisions on the direction of means testing policy. This was the main focus of section 9.1 above. At times, high level political decisions made in other areas may have an unnoticed knock-on

effect on the non-income maintenance benefits, especially if overall budget is constrained.

Yet outcomes cannot always be attributed to political objectives.

Moreover, if changes in eligibility were not due to change in objectives, then the objectives may not have been met. Another two contributors to outcomes are:

ii) A change in the income criteria of the means test, which is a 'technical factor', or element of the implementation process. Policies are not only the product of decisions in the political arena but of administrative procedures which are devised to carry them out. At a detailed level, this shaping of policy would usually be carried out as a bureaucratic process. The 'technical factors' therefore relate to lower level decisions about how political ambitions were put into practice. Such choices facing implementers of policies were discussed in Chapter 6.

iii) Socio-economic factors in which changes to the means tests outcomes reflected population ageing, changes in the labour market or family patterns, and so on. They might reinforce or operate against political ambitions.

These are in no sense mutually exclusive types of explanations. Indeed, in most cases, a mixture of these events explains the changing outcome over time. For example, with free school meals, the process of restricting entitlement was driven by political considerations (i), put in practice by altering the income criteria (ii) and hindered by socio-economic factors (iii). In the first two explanations, changes in outcomes were the results of ideas and interests of actors in the policy-making process. However, point (ii) is important because studies of what happens at the boundaries of political authority can tell us as much - if not more - about social policy as it is enacted than do idealised models of the policy process in which

the manner of policy implementation is taken for granted. Unfortunately, it was not possible in this research to get 'inside' the details of policy processes at stage (ii). But whatever the process, I have been able to look at whether it did result in desired outcomes, measured as overall cuts in income levels or actual eligibility. In the third explanation, it is wider, external forces which are work such that political changes might not always feed through into change 'on the ground' if socio-economic circumstances have changed too. Greater poverty might impede the government's intention to make cuts, for example. So high-level political intentions may be limited in the change they make.

Taking these three types of causes further, I found that a distinction could be made between the explanation of falls in eligibility and of rises in eligibility. Firstly, cuts. Cuts in actual eligibility levels were associated on the whole with major policy announcements, major changes of direction. Actual changes in eligibility levels occurred for free school meals 1975-1985, student grants over 1975-1985 and 1985-1995, and civil legal aid between 1985 and 1995. Student grants 1975-1985 are the mild exception, in that there was not a major policy announcement. Also, the fall in eligibility 1985-1995 was because of rising high incomes, rather than because of cuts in the test. Thus, falls in actual eligibility tend to occur because there has been a deliberate attempt to do so. On the other hand, as stated above, stated objectives to cut actual eligibility are not always successful.

Cuts to the eligibility threshold (as opposed to proportion of benefit units eligible) occurred for school meals in 1975-1995, student grants in 1975-1985, civil legal aid in 1965-1975 and 1985-1995. Lowering eligibility threshold may not cut the actual numbers eligible, if income inequality has increased. However, it will mean fewer people are eligible than had the status quo been retained.

The changes in eligibility threshold for school meals were associated with a stated intention to reduce eligibility. On the other hand, the lowering of eligibility thresholds for student grants was not associated with a major policy announcement to cut eligibility. Similarly, the value of the grant had been allowed to fall, but this was not a major policy announcement either: not until 1990 was the intention to cut back grants made explicit. The cut in eligibility threshold for civil legal aid from 1965-1975 was not a high-profile policy either. However, the cut in the income level for eligibility from the 1980s was intentional. It can be concluded from this that it is possible for the government to lower the eligibility threshold, without it necessarily being a major policy announcement or provoking a public issue in response.

There was no consistent definition of need within the means tests over time. In making the decision to change the eligibility threshold, either the understanding of who was in financial need had changed, or financial need was not a significant factor in determining who would be eligible for these benefits. I suggest that need was understood as those people who could be helped, subject to an imposed budget constraint. As such, the understanding of need was re-moulded by force. There was no issue of principle, of analysing whether people had room in their budget to buy certain things. Work on this was carried out by independent researchers,⁶⁷⁸ but a principled poverty line was not a concept used in designing benefits. The other objective of the means test, of restricting eligibility and thereby keeping down cost, was potentially in conflict with protecting the poor. And yet cost drove policy because of governments' fear that expenditure might balloon out of control. My conclusions are consistent with those of Veit-Wilson for the tax system and the main

⁶⁷⁸ E.g. The Family Budget Unit (FBU), formed in 1985, which produced publications such as Bradshaw, Jonathan, ed., *Budget Standards for the United Kingdom* (Aldershot: Avebury, 1993). This kind of research was carried out from the time of Rowntree's first study of York (1899).

social assistance benefits: that principled identification of the needy did not play a part policy-making on the eligibility threshold.⁶⁷⁹

Why was the government wishing to make cuts in non-income maintenance benefits? Most of the cuts occurred from the mid-1980s, when this policy on non-subsistence benefits formed part of a wider policy of reining back the public sector. With regard to non-income maintenance benefits, it is debateable whether irresistible economic and demographic factors forced cut-backs on the government of the day. However, it is not the central aim of this thesis to investigate how those political objectives were reached, but to examine their relationship to changes in eligibility. There has been much interest recently in the politics of retrenchment (as opposed to the reasons for growth of welfare states).⁶⁸⁰ The main explanations of patterns of government expenditure in times of perceived stringency are:

- i) Resistance to budget cuts due to inertia and bureaucrats seeking to minimise the impact of cuts on their own jobs, which means that overall welfare spending might be maintained.
- ii) That cuts will fall according to need. In this situation political and bureaucratic processes operate in the public interest. The need to cut spending would break the pattern of incremental increases otherwise observed. There would instead be a systematic reappraisal of welfare needs, leading to selective treatment of area of welfare policy, depending on its pattern of needs. In this

⁶⁷⁹ Veit-Wilson, John, "The Tax Threshold: Policy, Principles, and Poverty," *Twentieth Century British History* 10, no. 2 (1999): 218-234; Veit-Wilson, John, "How Governments Set Benefit Adequacy Standards," *Benefits* September/October (1998); Veit-Wilson, John, "Poverty and the adequacy of social security," in Ditch, John, ed., *Introduction to Social Security* (Routledge, 1999), 78-109.

⁶⁸⁰ Glennerster, Howard and William Low, "Education and the Welfare State: Does it Add Up?," in Hills, John, ed., *The State of Welfare: The Welfare State in Britain since 1974* (Oxford: OUP, 1990) p.36.

scenario we might expect changes in spending to reflect changes in perceived needs.

iii) Cuts will fall according to voter pressure because politicians seek to minimise vote loss by treating less favourably the services with lowest demand and according to the political power of the groups affected. The theory of 'middle class capture' is one version of this theory which emphasises the importance of the middle class as a pressure group affecting welfare expenditures.

iv) Cuts will be across the board, 'decrementalism', which is the opposite of 'incrementalism' that explains creeping increases in welfare expenditure. On this hypothesis budget shares would remain stable and cuts would be across all areas.

In the case of non-income maintenance benefits, the desire for cuts was not resisted, at least not successfully. There were cuts relative to if there had been no change in the income criteria even if reducing eligibility was impeded increasing income inequality. Turning to explanation (ii), if cuts fell where 'need' were greatest, one would have expected income thresholds for school meals to have greater protection. What can be said is that pressure groups, and in particular the middle class voter constituency, were ineffective at preventing cuts in eligibility, as was found in the discussion of middle class capture in the previous chapter. Cuts spread 'across the board', explanation (iv), seems a more satisfactory theory.

Increases in eligibility levels, on the other hand, were not always associated with major policy announcements. This is because they mainly were a by-product of more families being on Income Support and more families being on low incomes generally. This observation could support the theory of incrementalism/decrementalism. Exceptionally, the Labour government did announce a large increase in eligibility for civil legal aid

in 1979, and this is borne out by the data which show an increase in actual eligibility and income levels for eligibility over 1975-1985.

Prescriptions are a special case because of their relative stability in entitlement levels over the period 1975-1995. The stability can be explained by the fact that eligibility for free prescriptions did not come to be a political target. Once introduced, there was little further debate about the objectives of means tested low income exemptions. The issue was very low-key, with the Department of Health dictating the remit of the scheme, and hardly any input from doctors' or patients' groups. This could be where the pensioner and children interest groups have a role: to remove their status exemptions would have carried a grave political cost. Further, there would not have been much savings to be made from scrapping the low income exemption because relatively few are eligible for it anyway. Those eligible on a means test were a small number compared to the passported and exempt cases, which may have made it seem hardly worth the effort and bad publicity to make cuts at a time when other benefits were vulnerable. The small increase in numbers eligible was mainly driven more people being on low incomes.

In trying to explain the distributional outcomes, lack of objectives and conflict of objectives are part of the answer. However, bureaucratic factors might have a role too. Rules and conventions devised to make a large organisation effective can be in conflict with the aim of providing the best possible service and support for clients. We might conclude that this is what was going on if rules were simple, but excluded some apparently needy people. However, rules were fairly complex, and reason for exclusion of some people appear to be levels at which capital disregard is set, rather than agencies trying to make their own life easier.

9.3 Conclusion and implications

The purpose of this final section is to review the main conclusions of this study, to draw out their implications for welfare state history and theory

and to assess the means tests in relation to the wider social security structure. Only eligibility for free school meals has followed a very direct mirroring the pattern of eligibility for subsistence benefits. That was because eligibility was restricted after 1980 to recipients of income-related benefits. As with income maintenance benefits, although the criteria were tightened during the 1980s, the numbers eligible rose. This pattern has not been repeated for the other three non-income maintenance benefits, except that where there was passporting, the proportion passported changed with patterns of social assistance receipt.

From the mid 1980s, all these benefits were vulnerable in the wider context of spending restraints. There was no enduring philosophy to any of these benefits, as chapter 5 has shown. Rather, they were each individually seen as components of an overall welfare system by the government, and none except prescriptions could escape that overall environment. Recent literature has seen a shift away from 'grand theories' (pluralism, Marxism) towards theories of governance in explaining change in welfare states.⁶⁸¹ These offer a more de-centred view of the state and analyse the policy process as a complex series of interactions. This research confirms the relevance of governance as a framework for analysis, because the eventual outcomes of a means testing policy depended on how the policy was implemented by officials at lower levels of government. Further, the idea of a coherent 'welfare regime' is undermined by the lack of evidence of any overall policy for non-income maintenance benefits, and the role they were to play in income maintenance, which is reflected in the uncoordinated way in which changes to the means test rules and the patterns of entitlement changed over time.

⁶⁸¹ Newman, Janet, "Putting the 'Policy' back into Social Policy," *Social Policy & Society* 1, no. 4 (2002): 347-354 p.347.

Policy discourse is dominated by the assumption that the policy process is rational and linear. The belief that policies are shaped and implemented in a systematic way has been a dominant feature of policy analysis despite an extensive critique of such assumptions in much of the policy literature. Those who view policy as a rational, linear process are sometimes called 'top-down' theorists. They tend to focus on explaining the factors that get in the way of policy delivering its intended outcomes. Yet much policy is accidental, and not based on evidence or clear objectives. It just evolves. Analysis of non-income maintenance benefits confirms the view that the policy process is not always rational, and does not always even have intended objectives. In some cases the objectives were exceedingly vague, and there is also evidence of multiple and conflicting intentions behind means tests for non-income maintenance benefits, which also perhaps explains why some of the benefits were targeted in a muddled way.

How were the objectives of these benefits connected with the general objectives of the British welfare state? The distributional eligibility patterns fit in with a description of the welfare state as a 'mixed bag'. In practice, the government's overall strategy was an uncoordinated combination of more and less generous means-tested benefits, combined with universal, contributory and status benefits, and a vain hope that this combination would, one way or another, result in help for those sections of the community which most required it and deserved it.

I have found that political changes do not always feed through into change 'on the ground' if socio-economic circumstances have changed too. Greater poverty might impede the government's intention to make cuts, for example. So high level political intentions may be limited in the impact they make. Also, the results suggest that the distributional pattern of eligibility for benefits cannot be generalised as either middle class capture, which suggests that in the policy process middle class interests can be over-ruled. There was no high point of generosity for these

particular means tested benefits in the 1970s, even if the rest of the welfare state is portrayed as having peaked in its scope at that time.

Although the intention of restricting entitlement for all the benefits was achieved, they were not very well targeted on those with the lowest incomes, especially in the 1990s. The intention of helping those on a low income was inhibited by the way the means test was put into practice. This finding shows that the outcome did not meet all the stated objectives, with implications for the design of future policy. I also find that means tested benefits have embodied values, which are not necessarily made explicit as policy objectives. This, along with the failure to target effectively, demonstrates that the way a means testing policy is implemented does matter.

In means-testing, the devil, and the truth, is in the detail. Therefore the way in which legislator's intentions are put into practice does matter. It also means that social policy as a discipline should go beyond the study of the content of social policy to study the processes through which social policies are made and enacted. Descriptions of state institutions and its administrative processes are not particularly helpful, which means we should study the relationship between policy and implementation. An analytical separation between policy and implementation underpins the structure of most texts that follow a rational, sequential approach.

Implementation receives little attention as the final and least significant stage. Yet policy-making and administration are not separate activities. They cannot be considered in isolation from one another. The policies of a social service are what it does - which may or may not coincide with its official aims. Social policy and administration cannot be separated because social policy has little meaning without machinery to carry it out. However, implementation has continued to be neglected as a field of empirical study. This thesis is different from much historical social policy literature because implementation is viewed as an integral part of the policy process. Secondly it acknowledges the ambiguity of many areas of

policy, for instance that objectives may not be precise and different objectives may be in conflict.

In conclusion, policy-makers may want to pay more attention to their criteria for 'need' in policy-making, if the point of the policy is to help those in need. Where helping all those on the lowest incomes is a priority, some means tests for non-income replacement benefits may need to be redesigned. In summary, designers of means tests should consider how to meet their objectives and should ask: 'Is there evidence that this policy will achieve the intended outcomes?'

Appendix

I put forward a taxonomy of means-tested benefits to set out which bodies administered and developed the means tests, and their design features. This is described in Chapter 6 and the position of each means tested benefit as at 1st October 1965, 1975, 1985 and 1995 is summarised in Table A1 to Table A4.

Table A1 Classification of non-subsistence benefits in 1965⁶⁸²

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Status criteria.	Child attending local authority maintained school (including voluntary schools) or free place holder at direct grant school.	Patient judged by an NHS doctor to need a medicine on prescription.	Student has a place on a 'designated' course approved for statutory grants.	Client has passed a 'merit test' to determine whether they have a reasonable case.
Income-tested or means-tested?	?	Free to all.	Income-tested.	Means-tested.
Assessment period	Week (a month in practice)	Week (last week)	Year (last financial year)	Year (next/last 12 months)
Award period	6 months			
Cash or in-kind?	In-kind provision without compulsion.	In-kind provision without compulsion.	Cash grant.	'Voucher' system (the legal aid certificate).
Rebate or free at point of use?	Free at point of use.	Free at point of use.	Cash grant i.e. rebate.	Free at point of use for those fully eligible. Otherwise 12 monthly contributions from income and/or lump sum contribution from capital.
Taper or sudden cut-off? At what income levels?	?	N/A.	Taper.	Taper.
Status exemptions and automatic 'passport' exemptions.	?	N/A.	None.	None.
Local or national rules?	National statutory rules on exemptions, with additional local discretion.	National statutory rules.	National statutory rules.	National rules.

⁶⁸² Sources: National Union of Students, *Grants Hand Book and Survey of LEA Awards 1967* (London: N.U.S., 1967); Phyllis Willmott, *Consumer's Guide to the British Social Services*, 1st ed. (Harmondsworth: Penguin, 1967); Edward Moeran, *Practical Legal Aid* (London: Oyez, 1969).

TableA 1 cont.

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Rule-making body	?	?	DES. ⁶⁸³	
Local or national government administration?	Local administration.	National administration.	Local administration.	National administration.
Administering body	Local Education Authority.		Local Education Authority.	The Law Society and National Assistance Board.
Service provider	Local Education Authority.	National Health Service doctor; Pharmacy which dispenses NHS prescriptions.	University or other private provider of accommodation.	Solicitor/counsel in private practice 'on the panel' and willing and available to take legal aid work.

⁶⁸³ Department of Education (and Science) (1964-1995).

Table A2 Classification of non-subsistence benefits in 1975⁶⁸⁴

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Status criteria.	Child attending local authority maintained school (including voluntary schools) or free place holder at direct grant school.	Patient judged by an NHS doctor to need a medicine on prescription.	Student has a place on a first degree course approved for statutory grants.	Client has passed a 'merit test' to determine whether they have a reasonable case.
Income-tested or means-tested?	Means-tested.	Means-tested.	Income-tested.	Means-tested.
Assessment period	Week (a month in practice)	Week (last week)	Year (last financial year)	Year (next/last 12 months)
Award period	6 months			
Cash or in-kind?	In-kind provision without compulsion.	In-kind provision without compulsion.	Ear-marked cash grant.	'Voucher' system (the legal aid certificate).
Rebate or free at point of use?	Free at point of use.	Free at point of use, but rebates can also be claimed.	Cash grant i.e. rebate.	Free at point of use for those fully eligible. Otherwise 12 monthly contributions from income and/or lump sum contribution from capital.
Taper or sudden cut-off? At what income levels?	Taper (sliding scale means that some, but not all, children in a family may get free meals).	Sudden cut-off.	Taper.	Taper.

⁶⁸⁴ Sources: Phyllis Willmott, *Consumer's Guide to the British Social Services*, 3rd ed. (Harmondsworth: Penguin, 1973); Ruth Lister, *National Welfare Benefits Handbook*, 3rd ed. (London: CPAG, 1974); Edward Moeran, *Practical Legal Aid*, 2nd ed. (London: Oyez Longman, 1976); Department of Health and Social Security. "Leaflet PC11: Free prescriptions April 1975." (1975); Department of Health and Social Security. "Leaflet FB1: Family Benefits and Pensions." April 1975 (1975).

Table A2 cont.

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Status exemptions and automatic 'passport' exemptions.	Children of families on SB ⁶⁸⁵ and FIS. ⁶⁸⁶	SB and FIS recipients and their dependants, pregnant women, women up to 12 months post parturition, under 16s, ⁶⁸⁷ men over 65, women over 60, ⁶⁸⁸ war or service disablement pensioners, those with certain medical conditions. ⁶⁸⁹	None.	None.
	School meals	Pharmaceutical benefits	Student maintenance grants	Civil legal aid
Local or national rules?	National statutory rules on exemptions, with additional local discretion.	National statutory rules.	National statutory rules.	National rules.
Rule-making body	DHSS ⁶⁹⁰ ; LEA ⁶⁹¹ if additional local discretion used.	DHSS.	DES. ⁶⁹²	.

⁶⁸⁵ Supplementary Benefit (1966-1988), the main income maintenance benefit. It has been replaced by Jobseeker's Allowance and Income Support.

⁶⁸⁶ Family Income Supplement (1971-1988), an income maintenance benefit for working families with children on a low income. It has been replaced by the Working Families' Tax Credit.

⁶⁸⁷ From 8 April 1974.

⁶⁸⁸ From 8 April 1974.

⁶⁸⁹ For example, venereal disease, diabetes, epilepsy.

⁶⁹⁰ Department of Health and Social Security (1968-1988).

Table A2 cont.

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Local or national government administration?	Local administration.	Local administration.	Local administration.	National administration.
Administering body	Local Education Authority.	DHSS local office.	Local Education Authority.	The Law Society and Supplementary Benefits Commission.
Service provider	Local Education Authority/school caterer.	National Health Service doctor. Pharmacy which dispenses NHS prescriptions.	University or other private provider of accommodation.	Solicitor/counsel in private practice 'on the panel' and willing and available to take legal aid work.
Information available from	local Education Office or Education Welfare Office or Head Teacher	post office, local Social Security office		Citizen's Advice Bureau, post office, Social Security office.

⁶⁹¹ Local Education Authority.

⁶⁹² Department of Education (and Science) (1964-1995).

Table A3 Classification of non-subsistence benefits in 1985⁶⁹³

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Status criteria.	Child attending local authority maintained school (including voluntary schools) or free place holder at direct grant school.	Patient judged by an NHS doctor to need a medicine on prescription.	Student has a place on a first degree course approved for statutory grants.	Client has passed a 'merit test' to determine whether they have a reasonable case.
Income-tested or means-tested?	Means-tested.	Means-tested.	Income-tested.	Means-tested.
Assessment period	Week (a month in practice)	Week (last week)	Year (last financial year)	Year (next/last 12 months)
Award period	Year			
Cash or in-kind?	In-kind provision without compulsion.	In-kind provision without compulsion.	Ear-marked cash grant.	'Voucher' system (the legal aid certificate).
Rebate or free at point of use?	Free at point of use.	Free at point of use, but rebates can also be claimed.	Cash grant i.e. rebate.	Free at point of use for those fully eligible. Otherwise 12 monthly contributions from income and/or lump sum contribution from capital.
Taper or sudden cut-off? At what income levels?	Sudden cut-off.	Sudden cut-off.	Taper.	Taper.

⁶⁹³ Sources: Jim Matthewman, *Tolley's Social Security and State Benefits 1986* (London: Tolley, 1985); Jim Matthewman, *Tolley's Social Security and State Benefits 1987-88* (London: Tolley, 1987).

Table A3 cont.

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Status exemptions and 'passport' exemptions.	Children of families on SB ⁶⁹⁴ and FIS. ⁶⁹⁵	SB and FIS recipients and their dependants, pregnant women, women up to 12 months post parturition, under 16s, men over 65, women over 60, war or service pensioners, those with certain medical conditions. ⁶⁹⁶	None.	None.
	School meals	Pharmaceutical benefits	Student maintenance grants	Civil legal aid
Local or national rules?	National statutory rules on exemptions, with additional local discretion.	National statutory rules.	National statutory rules.	National rules.
Rule-making body	DHSS ⁶⁹⁷ ; LEA ⁶⁹⁸ if additional local discretion used.	DHSS.	DES. ⁶⁹⁹	LCD. ⁷⁰⁰

⁶⁹⁴ Supplementary Benefit (1966-1988), the main income maintenance benefit. It has been replaced by Jobseeker's Allowance and Income Support.

⁶⁹⁵ Family Income Supplement (1971-1988), an income maintenance benefit for working families with children on a low income. It has been replaced by the Working Families' Tax Credit.

⁶⁹⁶ For example, venereal disease, diabetes, epilepsy.

⁶⁹⁷ Department of Health and Social Security (1968-1988).

⁶⁹⁸ Local Education Authority.

Table A3 cont.

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Local or national government administration?	Local administration.	National administration.	Local administration.	National administration through Area Offices.
Administering body	Local Education Authority.	DHSS local office.	Local Education Authority.	The Law Society and DHSS office in Preston.
Service provider	Local Education Authority/school caterer.	National Health Service doctor. Pharmacy which dispenses NHS prescriptions.	University or other private provider of accommodation.	Solicitor/counsel in private practice willing to take legal aid work.
Information available from	Local Education Office or Education Welfare Office or Head Teacher	Post office, local Social Security office		Citizen's Advice Bureau, post office, Social Security office.

⁶⁹⁹ Department of Education (and Science) (1964-1995).

⁷⁰⁰ Lord Chancellor's Department.

Table A4 Classification of non-subsistence benefits in 1995⁷⁰¹

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Status criteria.	Child attending state maintained school.	Patient judged by an NHS doctor to need a medicine on prescription.	Student has a place on a first degree course approved for statutory grants.	Client has passed a 'merit test' to determine whether they have a reasonable case.
Income-tested or means-tested?	Means-tested.	Means-tested.	Income-tested.	Means-tested.
Assessment period	Week (a month in practice)	Week (last week)	Year (last financial year)	Year (next/last 12 months)
Award period	Year			
Cash or in-kind?	In-kind provision without compulsion.	In-kind provision without compulsion.	Ear-marked cash grant.	'Voucher' system (the legal aid certificate).
Rebate or free at point of use?	Free at point of use.	Free at point of use, but rebates can also be claimed with a receipt.	Cash grant i.e. rebate.	Free at point of use for those fully eligible. Otherwise monthly contributions from income and/or lump sum contribution from capital.
Taper or sudden cut-off? At what income levels?	Sudden cut-off.	Sudden cut-off.	Taper.	Taper.

⁷⁰¹ Sources: Jim Matthewman, *Tolley's Social Security and State Benefits Handbook 1995-96* (London: Tolley, 1995); Jim Matthewman, *Tolley's Social Security and State Benefits Handbook 1996-97* (London: Tolley, 1996); Department for Education and Employment, *Student Grants and Loans: A Brief Guide for Higher Education Students 1996/97* (London: DfEE, 1996).

Table A4 cont.

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Status exemptions and 'passport' exemptions.	Children of families on IS ⁷⁰²	IS, FC and DWA recipients and their dependants, pregnant women, women up to 12 months post parturition, under 16s, under 19s in F/T education, men over 65, women over 60, war or service pensioners, those with certain medical conditions. ⁷⁰³	None.	IS, FC and DWA recipients and their dependants
	School meals	Pharmaceutical benefits	Student maintenance grants	Civil legal aid
Local or national rules?	National statutory rules on exemptions, with additional local discretion.	National statutory rules.	National statutory rules.	National rules.
Rule-making body	DSS ⁷⁰⁴ ; LEA ⁷⁰⁵ if additional local discretion used.	DSS.	DfEE. ⁷⁰⁶	

⁷⁰² Supplementary Benefit (1966-1988), the main income maintenance benefit. It has been replaced by Jobseeker's Allowance and Income Support.

⁷⁰³ For example, venereal disease, diabetes, epilepsy.

⁷⁰⁴ Department of Social Security (1988-).

⁷⁰⁵ Local Education Authority.

⁷⁰⁶ Department for Education and Employment (1995-).

Table A4 cont.

	School meals	Prescription medicines	Student maintenance grants	Civil legal aid
Local or national government administration?	Local administration of free meals; national administration of IS.	National administration.	Local administration.	National administration.
Administering body	Local Education Authority/DSS local office.	Health Benefits Unit, Newcastle upon Tyne.	Local Education Authority.	Legal Aid Board and DHSS office in Preston.
Service provider	Local Education Authority/school caterer.	National Health Service doctor. Pharmacy which dispenses NHS prescriptions.	University or other private provider of accommodation.	Solicitor/counsel in private practice willing to take legal aid work.
Information available from	Local Education Office or Education Welfare Office or Head Teacher	Post office, local Social Security office	Schools; LEA offices; DfEE	Citizen's Advice Bureau, post office, Social Security office.

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