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THE STATE AND THE STANDARD OF LIVING

THE STATE AND THE STANDARD OF LIVING

BY

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NOTE.

I should like to express my gratitude to the Librarians of the Ministry of Labour and of the Research Department of the Labour Party for their kindness in allowing me access to their collections of pamphlets and newspaper reports. My husband has helped me in innumerable ways.

G. W.

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CHAPTER I

OPINION IN THE 'NINETIES

In 1890 the ordinary working man was expected to provide for the maintenance of himself and his family and to make arrangements for their welfare in all contingencies. The State did, indeed, make certain regulations regarding the employment of women and children; and it set up schools to which parents were compelled to send their children. But supervision did not penetrate farther than the fringe. The wages a man received, the work he did, and the conditions in which he did it, the provision he made for his old age or for periods of enforced idleness due to sickness or unemployment, these were all matters of individual responsibility. If his own resources proved inadequate to meet any misfortune which overtook him he might apply to some charity for temporary help; the only duty accepted by the State was that of preventing starvation. Those who were actually destitute might apply for poor relief; but if a man's misfortunes did not attain that desperate limit he had to endure them as best he could.

At the present time, on the contrary, there is hardly any province of a worker's life and affairs, which is not substantially affected by legislation. The wages of a big proportion of workers are now fixed by statutory bodies; a series of insurance schemes offers some measure of security against sickness, old age, unemployment and the loss of the breadwinner; housing has been undertaken by public authorities and rents have been subsidised in the interests of the wage earner; the period of school life has been prolonged and more and more varieties of education made available to working-class children. In short the last forty years have witnessed an unprecedented increase in the part played by the State in the day-to-day affairs of the ordinary

man. How has this transformation taken place? How far is it the deliberate development of conscious aims and principles, and by what process have these principles won their way from the plane of social theory to that of legislative fact? It is the purpose of this book to trace the gradual development of this framework of social support, and to attempt to discover the ideas that have helped to build it up.

The student of nineteenth-century politics cannot but be aware of the existence in that period of a predominant conviction as to the right relations of State and individual. It is true that there were many dissentient voices; there were, indeed, whole sections who passionately protested against the prevailing belief and who formulated a rival philosophy. But there is little doubt that the majority upheld those views of social organisation which are comprised in the term Individualism. There has never been any period of time in which the State has, in fact, stood as completely aside from economic activities as the absolute Individualist doctrine advocated. Even during the century certain well-defined evils sufficiently roused public opinion, or some sectional interest of it, to permit of the passing of a number of laws designed to protect members of the community from the consequences of their own actions. But these laws were almost invariably passed in the teeth of strong opposition; and even those who were most concerned to get them on to the Statute Book felt it necessary, in a sense, to apologise for them. Shaftesbury agreed to undertake his great work of promoting factory legislation on condition "that there should be a careful abstinence from all approach to questions of wages and capital; the labour of children and young persons should alone be touched." Southwood Smith and Chadwick, who were instrumental in laying the foundations of Public Health Laws, were devoted disciples of Bentham. That the adult citizen should be left free to make what use he liked of his own capacities, that any attempt on the part of the State to guide or protect him must necessarily lead to the weakening of the independent spirit and the downfall of British industry

and commerce—these were dogmas almost as widely accepted amongst the reformers as amongst their opponents. What separated Shaftesbury and Chadwick from their political opponents was not a fundamental disagreement in political philosophy; it was simply Shaftesbury's Christian pity for the weak and helpless, and Chadwick's hatred of administrative inefficiency.

But any attempt to discover behind the legislation of the last thirty or forty years any such confident body of beliefs as produced the legislative inaction of the nineteenth century is bound to be abortive. The wealth of literature on the subject published during the end of last century is in itself indicative of the confusion of thought. When a particular philosophy gains wide acceptance as right and just there is no need to elaborate it. Men may refer to it as the foundation on which their policy is based, but they do not find it necessary to explain and justify it. They take it for granted. But when a sense of uneasiness has crept in, when doubt has raised its head and criticism has nibbled at the foundations, it is necessary for those who uphold the belief to examine their reasons and set forth their arguments. For this reason the end of the nineteenth century saw a spate of writing and discussion, dealing not so much with any specific piece of proposed legislation as with the principles by which such legislation should be guided. And it is interesting to notice that the writings of the Individualists of this period no longer show the same tone of calm assurance and self-confidence which had characterised their earlier pronouncements. Their heated polemics are evidence of the consciousness of their authors that they are defending an order which is open to bitter attack.

Uncertainty and doubt were not confined to the sphere of political speculation. A wave of pessimism caused by distrust of the established order was spreading over the whole of society.

The body of beliefs associated with the mid-nineteenth century gained its enormous prestige because it united in itself a number of separate, but apparently complementary, streams of thought. Thus the belief that the world, if left

alone to work out its own salvation, would get better and better every day and in every way was nourished from three separate directions: from Bentham's theory of legislation as aiming at the equilibrium of interests; from the teaching of the economists that the spur of self-interest was sufficient to bridge the gulf between egoism and altruism; and from the faith of the Church in a divinely-appointed, harmonious order. The rapidly increasing material prosperity which characterised the period seemed to offer direct proof of the authenticity of this belief, and helped to produce a sense of tranquillity and of firm confidence in the future, a feeling not unmixed with complacency.

But the last quarter of the century saw a profound change in temper. The doctrine of evolution, as its implications were gradually realised, began to undermine the conception of a universe divinely ordered and comprehensively planned by a loving Creator. This disintegration led to a torment of doubt as to the validity of any of the convictions which had heretofore formed the foundations of individual and social life. The literature of the time is full of the history of questioning and doubting souls, faced with the downfall of religious faith, or in conflict with the canons of established morality. *The Autobiography of Mark Rutherford*, the novels of Hardy and Gissing, all bear witness to the shadow which was spreading over the confident Victorian spirit.

So that the doubt as to the validity of Individualist teaching was only one part of the general scrutiny to which all aspects of Victorian belief were being subjected. That all things conspired together for good even in purely material concerns was no longer so certain, for the increase in wealth which had seemed the triumphant justification of the Individualist régime was showing signs of slackening. England had come to accept her dominant position in world trade as a natural right, but the competition of other industrial countries was beginning to assert itself. Markets were not expanding sufficiently rapidly to absorb all that they were capable of producing. The Free Traders who had fought to free British trade from Government regulations and control had assumed that other countries would

follow their example. But the newly industrialised countries, readier to copy Britain's mechanical technique than her political policy, put up tariff barriers to help their new industries to compete with England's well-established businesses. So that there were many in England who doubted the value of one-sided liberty in industrial trade and began to toy with the idea of a deliberate strengthening of Imperial economic relations.

But probably more potent in its influence than any other factor in throwing suspicion on the validity of the system was the increased amount of knowledge becoming available about the actual lives of the working classes in the big urban areas. There were the fulminations of Morris and Ruskin against the hideous ugliness of industrial civilisation ; there were articles in various periodicals, such as the series in the *Pall Mall Gazette* of 1883–4 called *The Bitter Cry of Outcast London* ; there were the records of poverty and misery gradually being compiled as a result of greater administrative efficiency. But chief of all, there was the terrible picture of the life of working-class London painted by Charles Booth in the series of volumes called *The Life and Labour of the People of London*. This was no sensational and highly coloured picture, designed to rouse the sympathy and loosen the purse-strings of the charitable ; but, for the first time, a comprehensive detailed investigation was made by personal enquiry into the actual conditions of life of thousands of people living in the working-class areas of London. Now, at last, there became available positive knowledge with regard to the types of industry in which people were employed, the wages paid, the size of families, the rents they paid for their houses and the accommodation they got for these rents, the prevailing habits of life and social customs.

The cumulative effect of this compilation of facts was a revelation so devastating as to explode the general assumptions both about the level of well-being of the mass of the population and about the causes of the misery that was known to exist. It had been taken for granted that the ills that called for cure were confined mostly to a small

section, and that the poverty in which they lived was largely their own fault. Improvidence, intemperance, reckless early marriages—these were the crimes that were believed to lie at the bottom of most of the serious economic want. Booth's survey showed how completely false was this accepted picture of society. For, of the population of working-class London he found no less than 35·2 per cent [1] were living in absolute poverty—12·4 per cent classified as " very poor," i.e. in a state of chronic want, and 22·8 per cent as " poor," i.e. living under a constant struggle to make ends meet and without sufficient resources to enable them to buy the bare necessaries of life. And, if it was startling to find that in the richest city in the world so large a proportion were unable to provide themselves with even the minimum requirements of a civilised existence, the analysis of causes was even more startling. Bad habits, such as drink and improvidence did, it is true, find their place here. But contrary to the general expectation, they accounted for only 13 per cent [2] of the poverty. A larger percentage, 19 per cent, could be attributed to unfortunate circumstances, such as a long illness, or a large number of dependent children. But far and away the most important factor was to be found in the smallness of the pay received by the bread-winner of the family. Booth calculated that 68 per cent of the poverty was due to the inadequacy and irregularity of the wages paid. All this new knowledge helped to stir the imagination and the conscience, and to bring the question of the condition of the worker, and the part to be played by the State in improving that condition, into the forefront of public interest and discussion.

Goschen in his Address to the Philosophical Institution of Edinburgh in 1883 began with these words : " I have chosen ' *Laissez-faire* and Government Interference ' as the subject of my address to-night because, amongst all the complicated social and economical phenomena of the present day, none appears more interesting or of deeper importance for philoso-

[1] C. Booth, *Life and Labour of the People of London*, Poverty Series, Vol. I, p. 36.
[2] *Ibid.*, p. 147.

phers, economists, politicians, and indeed, for all students of the varying aspects of our national life, than the changes which have occurred and are daily occurring in the relations between the State and individual liberty." Mrs. Charles Booth in her memoir of her husband records that, in the 'eighties, " People's minds were very full of the various problems connected with the position of the poor, and opinions the most diverse were expressed, remedies of the most contradictory nature were proposed." Mrs. Webb in the vivid and exciting picture of the end of the last century which she gives in *My Apprenticeship* notes that a detailed description of the life and labour of the people became the recognised feature of novels, plays, periodicals, the meetings of learned societies, etc. She ascribes to the " time-spirit " " this novel concentration of attention on the social condition of the people " and the contemporary absorption in two outstanding questions : first, the reason for the poverty of masses of men ; and, second, the practicability and desirability of political and industrial democracy as a means of redressing grievances.

The *Handbook to Political Questions of the Day*, written by Sydney Buxton, M.P., gives a good idea of the topics which were filling men's minds and taking the front place in public discussion ; and it is significant that in the eighth edition, published in 1892 such a topic as the legal limitation of the hours of work for adult males is, for the first time, introduced and treated at length.

So rapidly was the confidence of Victorian England in its ideals shaken by the new intellectual enquiries that it was soon rare to find anybody prepared to defend the old orthodoxy in its entirety. Viscount Milner, who graduated from Oxford in the late 'seventies, records :

> When I went up the *laissez-faire* theory still held the field. All the recognised authorities were " orthodox " economists of the old school. But within ten years the few men who still held the old doctrines in their extreme rigidity had come to be regarded as curiosities.[1]

Yet although the main body of opinion had begun to shift,

[1] Viscount Milner, *Address to Members of Toynbee Hall*, 1894.

there were those who still jealously guarded the old position, and, by their prestige and influence, restrained the force of the new movement. Few, perhaps, could be found to follow Auberon Herbert whose denunciation of the exercise of compulsory State powers was so wholehearted, that in *The Free Life*, a monthly paper which he published, he urged the establishment of a State maintained by voluntary taxation. But there were a much larger number with that aggressive self-confidence, that consciousness of ability, so typical of the Victorian middle-class, ready to share Herbert Spencer's impatience with the proposals for paternal legislation, under whose protection, he declared, would be raised a pauperised and effete race. Spencer warned his fellow-citizens against the danger of confusing sympathy with justice. He insisted that those miseries of the poor to which attention was beginning to be directed were largely their own fault, and that, as the welfare of society is dependent on the character of its members, by no amount of skill can an " ill-working humanity be framed into well-working institutions."

It was this emphasis on character, rather than social institutions, as the keystone of the situation, which characterised a group of persons who, through their individual eminence and collective authority, played an influential part in social administration, and who had considerable influence on public opinion. The Charity Organisation Society was founded in 1869 by a group of public-spirited men and women with the aim of stopping the moral degradation to which were succumbing some sections of London's poorer class. Apart from the Poor Law, the bad administration of which was already causing uneasiness, there was no organised effort to cope with the " confused mass of poverty, crime and mendicancy living side by side with the independent wage earners under conditions of overcrowding and insanitation." [1] There were indeed countless charitable societies, formed generally by well-meaning but sentimental, ignorant and incompetent persons who collected large sums of money which they distributed without plan or forethought amongst applicants for relief. And even those

[1] H. Bosanquet, *Social Work*, p. 17.

who realised the futility and inadequacy of indiscriminate dole-giving found themselves so hemmed in, and so absorbed in the claims made on them, that they had neither time nor opportunity to survey the ground or to find out where to concentrate their resources. Some agency was required to get a bird's-eye view of the situation, to prevent wasteful overlapping and, by formulating the principles on which action should be based, to give direction to the whole movement. The first step was taken by the Rev. Henry Solly, a Unitarian Minister who, in 1868, read a paper before the Society of Arts entitled, " How to Deal with the Unemployed Poor of London." The result was the formation of the Charity Organisation Society,[1] After a short period of vicissitude it soon established itself as an important and effective organisation with well-defined principles and functions. In 1875 it appointed as its general secretary Mr. C. S. Loch, who from that moment played a great part in guiding its activities and in making its influence felt on social policy.

The Society was convinced that wholesale alms-giving was merely a form of self-indulgence which, far from bringing about any improvement in the condition of the recipients, bred a spirit of dependence and created a class of beggars. The Poor Law administrators were themselves the greatest offenders in this respect. The relief given by the Guardians was both indiscriminate and inadequate. It was taken for granted that it would be supplemented by charity, and charitable agencies accepted the charge and did, in fact, subsidise the Guardians' allowances. The Charity Organisation Society urged the importance of distinguishing clearly between public relief and charity, and it was under their guidance and inspiration that the famous Poor Law Minute was issued by Mr. Goschen in 1869. The principle outlined in this Minute was that cases which called for the application of general rules should be the responsibility of the Guardians, whilst those which could more hopefully be treated by

[1] Called originally "Association for the Prevention of Pauperism and Crime in the Metropolis," then "Society for Organising Charitable Relief and Repressing Mendicity."

individual care should be dealt with by charity. Each applicant to a charitable society should be regarded, not as one of a class, but as an individual problem who could be helped only after patient and careful enquiry into his personal circumstances, so that the help offered might be completely suitable to his needs and might lead to his regaining his independence.

The growth of democracy, the Society maintained, effects a fundamental alteration in the relationship of classes. When the poorer sections of the community secure a share in government, as they did under the Franchise Act of 1867, a dependent class, as such, has no further political existence. But to become citizens in reality, those who are independent politically must also be independent economically. This change in relationship entails a new duty on the rich. While gifts of money or food or clothing are rightful expressions of benevolence to one's dependents more than monetary relief is due to those whom one accepts as fellow-citizens. Gifts must be supplemented by devotion and intelligence; patient personal service on the part of the well-to-do must be directed to the creation of such a better social and individual life as will remove the need for such gifts. The distribution of relief to meet the ordinary contingencies of life tends to increase pauperism. How can one expect men to attempt by thrift, care and foresight to provide for the emergencies which it is the human lot to expect, if they know that help will at any moment be forthcoming? Refusal to help except on unpalatable conditions will, on the other hand, throw the individual on his own resources; and this will be an advantage both to himself and to society. The greatest care must then be taken that no policy, whether it be that of the State or of private individuals, should tempt the head of the family to evade his civic responsibilities of providing against all ordinary contingencies for himself and his family. Poverty, provided the family is self-sustaining, should be left to look after itself.

Provided that laws for the general well-being of the citizen are enforced, and that no hindrances are put in the way of thrift, the less it is meddled with the better. . . . We should be anxious

neither by State provision nor voluntary charities to tempt it to depend on others.[1]

The predominant implication of these principles of Charity Organisation Society policy is clear. It is that, barring any unforeseeable accident to life or health, any family could permanently maintain its independence provided it was reasonably industrious, thrifty and sober, and that there was no necessity for any collective action except in the negative way of ensuring that idleness and vice were not made too attractive. It took for granted the rightness of the social organisation in which it found itself; it assumed that the basic organisation of the community was just; it accepted a man's economic position as the true measure of his moral and economic value. That poverty and misery were widespread in the midst of a society whose wealth-producing capacity was unprecedented was due to no defect in communal organisation, but to the bad habits of the poor, or to their lack of knowledge of how to make the best use of the income they received. It was no use trying to remedy poverty by offering people gifts. It was essential to strike at the roots of the evil, "to stimulate their energies, to insist upon their responsibilities, to train their faculties: in short, to make them efficient."[2] The roots of the evil were to be found, according to this view, in the weakening of the moral fibre; it was an ethical problem rather than an economic; a problem of character, not of industrial organisation. The right end of social policy must, then, be the strengthening of the will of the individual, the development of his powers of endurance, the inculcation in him of a belief that the acceptance of outside aid entailed a loss of self-respect and dignity. And since the family is the social unit in which all the virtues have their origin, the greatest care must be taken that the parental responsibilities are in no way lightened. The instinctive love of the parents for the children is the rock on which society must build, and if that power is allowed its full influence the problem of poverty is solved.

[1] C. S. Loch, *Charity Organisation, 1890*, p. 11.
[2] H. Bosanquet, *Strength of the People*, p. 208.

Unless this instinctive love is strengthened by a growing sense of responsibility [says Mrs. Bosanquet], it cannot develop, and will tend to disappear altogether before the increasing cares of life. . . . But what if the social conditions will not permit them to meet the responsibility? It is a vain and idle hypothesis. The social conditions *will* permit them; for their own effort to do so will make them steady and efficient workers, whose services will be valued by the community, and will be supplemented by the help of the young people who will grow up in such a family as theirs will be.

It is because of this blindness to the existence of the impersonal factor in poverty, this tone of calm assurance in the rightness of its views at a time when more sensitive spirits were troubled by the most profound doubts, this easy condemnation of whole masses of the population to a life of perpetual and heroic self-sacrifice, that the hostile criticism so freely directed towards the Society throughout its whole existence is doubtless due. The probability of finding the Society opposed to any attempt to lighten the burden on the individual has tended to obscure the immensely valuable work that it has accomplished. For that it did do work of great value is unquestionable. It revolutionised the whole conception of charity by insisting that it was less than worthless unless it was careful and constructive; it discredited the idea that there is anything praiseworthy or generous in a benevolence which is not based on constructive planning; it made immense demands on the devotion and personal service of the rich and leisured; it insisted on the importance of individualising the applicant for help, instead of considering him as one undifferentiated unit of a class. But its members have never questioned whether the need for charity does not itself point to a radical fault in social organisation; they have never asked by what justice we may demand the exercise by one class of the community of virtues which other classes are never called upon to display.

But it was this very question that was now agitating the minds of thinking people, and was bringing about such a modification of Individualist theory that those who still retained their absolute faith came to be regarded, in Lord

Milner's words "as curiosities." There were two principal trends of opinion. On the one hand there was the dominant view that the individualist foundation was good and should be retained, but that considerable alteration was necessary in the superstructure. On the other was the growing conviction that the philosophic foundations of society were bad and that it was necessary to rebuild on a new basis. The line of demarcation between the two schools of thought was not always clearly drawn and corresponded to no boundaries of political parties.

> It becomes increasingly apparent in the present century [says W. S. McKechnie], that underlying the division of Liberal and Conservative, or of Home Ruler and Unionist, another principle of classification is showing itself. In addition to openly avowed Socialists holding opinions more or less extreme, there are many statesmen of even Cabinet rank in both camps whose policy involves principles essentially socialistic, if carried out to their legitimate, logical conclusions, though many of them would indignantly repudiate the name.[1]

For the Liberals, who had for half a century regarded themselves as the guardians of liberty, found themselves in a difficult position. They had been bred in the tradition that any increase in Government activity must be regarded with the greatest suspicion as an infringement of individual freedom. The struggles of the earlier part of the century had been concerned with the effort to liberate industry and trade from the trammels of State control; to achieve for the individual liberty of conscience, freedom to express his views, to worship how he pleased, to join with his fellows in voluntary associations, and so on. The fight for freedom from State intervention in these matters left a permanent fear and hatred of any Government supervision at all. But the results of the liberty for which they fought so hard were decidedly disappointing. "A century of enlarged individual freedom," wrote F. C. Montague in 1884, "has done for human greatness or human happiness only a very small part of what its noblest advocates expected."[2] And Liberal thinkers were finding themselves faced with the task

[1] W. S. McKechnie, *The State and the Individual, 1896*, p. 161.
[2] *Limits of Individual Liberty*, p. 4.

of discovering where their old beliefs fell short, and with the necessity for reformulating their old principles in the light of new circumstances. That some modification of the *laissez-faire* doctrine was called for seemed certain; the evils of unregulated competition could not be ignored or dismissed as temporary and self-liquidating. The justification for the change came in the realisation of the altered character of the Government. In the first struggle for liberty the State represented only the privileged classes. Any compulsion exercised by the State over the mass of individuals was then inevitably an infringement of the scope of the liberty of the individual to behave as he pleased. But the growth of democracy had fundamentally changed the relationship. Man was no longer versus the State; the State was merely his representative, chosen by his vote, to express his views. Any regulation imposed by the State was no longer the arbitrary expression of power by an external authority, but was the agreed policy of the majority of those concerned. The antithesis between the State and the Individual no longer existing, the assumption that an increase of the power of the one involved a decrease in the liberty of the other was no longer valid. The old Liberal had conceived of society as made up of independent units; but now a whole world of new relationships was becoming apparent. Man was not only an individual but a member of a community, his character was largely developed by the society in which he lived; his opportunity to act was circumscribed by the absolute necessity of co-operating with others. Co-operation was seen to be as essential a strand in social life as competition. But co-operation involves organisation; and it is not possible to organise men without making some of them do things they would not have done if left to themselves. For it is obvious that everybody will not think exactly alike, and in those matters where some measure of uniformity is requisite the minority must bow to the will of the majority. Thus the principles of *laissez-faire* and individual freedom began to make way for the principle of "common action for common good." [1]

[1] D. G. Ritchie, *State Interference, 1891.*

There was one great advantage possessed by the old Individualism; an advantage to which no doubt it owed much of the enthusiastic support it received. It was simple and clear-cut. To any proposal to use the authority of the State to direct the economic activities of the individual it could make the direct answer, "No, this is inadmissible in principle." That answer could now no longer be given nor accepted, and the difficult problem presented itself of defining the proper limits of State compulsion. For, once some intervention was accepted as right, there seemed no obvious line at which the boundary should be drawn. Non-intervention was condemned because of its evil results, and thus attention came to be focussed on the *consequences* of any proposed intervention.

When any measure of State action is proposed [said Ritchie in his vigorous, hard-hitting attack on Herbert Spencer] there is little advantage to be got by asking whether this is the sphere of the State? or whether it is meddling with the sphere of the individual? As if anyone could tell, beforehand, without any particular experience what these spheres were. They are what we think they ought to be; and they are not necessarily mutually exclusive. . . . Radicalism is not turning back to an effete Toryism but advancing to a further and positive form, leaving to the Tories and the old Whigs and to Mr. Spencer the worn-out and cast-off creed of its immaturity.[1]

No writer better illustrates this essentially commonsense attitude than W. S. Jevons whose book *The State in Relation to Labour* exercised a wide influence. He emphasises the futility in this connection of talking about absolute rights and inflexible principles: they do not exist. Principles are complex propositions founded on extensive experience; they register the conviction of society that a certain course will involve certain consequences. For example, the principle that parents have a right to the governance of their children registers the common belief that the parents' strong, instinctive love for the child is the best guarantee for its welfare. But if you find the parent ill-treating the child, then there is an end of this absolute presumption; you have a certainty of evil to put against the presumption of good,

[1] *Ibid.*, p. 107

and accordingly the State must step in and curb the parents' right. The same argument can be applied to the relation of the State to the adult worker. You can assume, if you have no knowledge to the contrary, that the adult man is concerned with his own welfare and has the ability to look after himself. Therefore by upholding his right to do as he pleases you can assume that he will more nearly attain his welfare than by any other means. You may thus argue that no adult man will deliberately choose to work in bad conditions or where he is in danger. But if experience shows that in fact men do get killed and maimed because of working with unfenced machinery, why continue to pretend that the worker must have willed this or it would not have happened? "When the putting up at inconsiderable expense of a few bars of wood and iron will remove all danger and difficulty surely it is much better simply to put them up and avoid all metaphysical argument." [1]

The conclusion reached is that the supreme quality required by the legislator is discrimination.

> Restrictions in industry are not good nor bad *per se*, but according as they are imposed wisely and with good intentions, or foolishly, and with sinister intentions. *Prima facie*, indeed, restriction is bad, because Providence is wiser than the legislator —that is to say, the action of the natural forces of evolution will ensure welfare better than the ill-considered laws of the prejudiced and unskilful legislator. But reason is a divine gift, and where upon the grounds of clear experience interpreted by logical reasoning we can see our way to a definite improvement in some class of people without injuring others, we are under the obligation of endeavouring to promote that improvement.[2]

The only test to be applied to proposed action on the part of the State is the anticipated result. No social transformation would be too great to be commended if only it could be clearly shown to lead to the greater happiness of the community. But there lies the difficulty. Public opinion is in the highest degree undiscriminating and tends to follow tradition and precedent. It is important, therefore, for the State not to be too precipitate in breaking new ground. It

[1] W. S. Jevons, *The State in Relation to Labour*, p. 3. [2] *Ibid.*, p. 165.

should always try to find out by experiment what will be the outcome of a new law, either by attempting first to encourage voluntary experiment, or by trying it out in a selected area and by endeavouring to estimate the unseen effects as well as the obvious and calculable ones.

In this modified brand of Individualism the whole emphasis was thrown on the results expected from the proposed State action. The old Individualism had been unable to look beyond the fact of compulsion. The new Individualism contended that this philosophy was negative and destructive, and that in its fruit was to be found often enough the *form* of liberty, but the spirit of oppression.

Half a century earlier it had been the agreement of economic doctrine with the current philosophy which gave the *laissez-faire* school its strength. But greater experience of unregulated industry had led economists also to modify their views.

Professor Fawcett, staunch opponent of State interference as he was, had many years earlier tried to discredit the view that any inalienable relation exists between the tenets of economic science and the doctrines of *laissez-faire*. He went so far as to say that "there is nothing whatever in the principles of economic science to lead to the establishment of any general conclusions with regard to the advantages or disadvantages of State interference." [1] And, as moral indignation grew with increasing knowledge of the misery and poverty of the working classes, there came to be less readiness to assume that contemporary economic conditions were the inevitable consequence of iron economic laws, any tampering with which would necessarily lead to disaster. As it was chiefly the sufferings of the poor which led to this change of view, criticism was naturally directed principally towards the unjust distribution of wealth which was the concomitant of free competition. To the majority, on the whole, production by private enterprise seemed efficient and sound; but that the resultant differences were really measures of varying degrees of individual merit was a view more difficult to accept.

[1] Fawcett, *Essays Political and Social, 1877*, p. 33.

The older economists had tended too often to make two unwarrantable assumptions; firstly that free and effective competition, in fact, exists; and secondly that differences between men, apart from variations in ability, are so superficial as to be capable of being ignored.

When we come to compare the modern view of the vital problem of the Distribution of Wealth [wrote Marshall in 1890] with that which prevailed at the beginning of the century, we shall find that over and above all changes in detail and all improvement in scientific accuracy of reasoning, there is a fundamental change in treatment; for, while the earlier economists argued as though man's character and efficiency were to be regarded as a fixed quantity, modern economists keep constantly in mind the fact that it is a product of the circumstances under which he has lived.

In direct opposition to the views held by other members of the Charity Organisation Society, he believed that "broadly speaking, the destruction of the poor is their poverty." "No doubt," he says, "their physical, mental and moral ill-health is partly due to other causes than poverty, but this is their chief cause."[1] And it was, therefore, the principal interest of economic study to try and answer the question "Is poverty necessary?" In the centuries of slow change which preceded the Industrial Revolution, there had gradually evolved a body of regulations, "felt out, rather than thought out," which, by the strong force of custom, provided a large measure of protection. The changes of the new age came so rapidly that these old customs were no longer appropriate, and each man was left to do what was right in his own eyes with no guidance from the past. It was natural that the new race of successful masters, conscious of their own strength and resourcefulness, should assume that the poor and weak were to be blamed rather than pitied. But now with greater knowledge came the task of devising restraints on the successful in order to defend the weak "in matters in which they are not able to use the forces of competition in their own defence."

The revelations made by Charles Booth as a result of his detailed enquiry into the life and labour of the people of

[1] Marshall, *Principles of Economics*, Vol. I.

London probably did more than anything else to force this vital problem of the Distribution of Wealth into men's minds. The authoritative demonstration that he gave that 30 per cent of the inhabitants of the largest and richest city in the world were existing below the subsistence level came as a shock to the ruling classes. The facts he brought to light revealed a close relationship between a number of heretofore unco-ordinated facts; overcrowding, disease, poverty, inefficiency, low wages, high birth-rate, high death-rate. And it was only a very obstinate and a very stupid man who could continue to assert as emphatically as before that each man in the community gets the place he deserves by his ability and worth. Booth himself was a Conservative M.P. and anti-socialist, but the results of his investigations forced him to the conclusion that Individualism is a failure unless the State looks after those who have never been given a chance to fight their own battles.

> For the State to nurse the helpless and incompetent as we in our own families nurse the old, the young and the sick, and to provide for those who are not competent to provide for themselves, may seem an impossible undertaking, but nothing less than this will enable self-respecting labour to obtain its full remuneration and the nation its raised standard of life.[1]

The existence of a mass of persons living on the very fringe of chronic destitution renders more difficult the task of the remainder of the working class to maintain its independence. For the lower-paid workers who by dint of great effort and sacrifice can just keep their heads above water find themselves continually pulled down by the competition of those who, through misfortune or incompetence, have drifted into the ranks of the very poor casual labourers.

The Individualist system breaks down as things are, and is invaded on every side by Socialistic innovations, but its hardy doctrines would have a far better chance in a society purged of those who cannot stand alone. Thorough interference on the part of the State with the lives of a small fraction of the population would tend to make it possible ultimately to dispense with any Socialistic interference in the lives of all the rest.

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[1] Booth, *Poverty, East, Central and South London*, p. 167.

Yet in spite of this increasing sympathy with the sufferings of the poor, and despite the greater readiness to accept the possibility of these evils being reduced by State action, the new Individualists were exceedingly cautious. Basic in all their thought was the belief in freedom of enterprise, and the conviction that self-reliance would be most likely to develop where outside help was kept to the minimum. The traditional suspicion of Government made them ready to distrust any increase in its power which could not show an overwhelming case in its favour. They realised how easy it is for those who bandy words about " the State " to get the habit of thinking of it as some mythical all-powerful, and omniscient Being, and forgetting that it is composed of a number of gentlemen of average intelligence, chosen in a heated election to represent the views of the party temporarily dominant. Their desire to get over the difficulty presented by the recognition, on the one hand, that individuals are incapable of protecting their own interests and the fact, on the other, of giving too much power to the Government led them to lay more and more stress on the importance of voluntary collective action on the part of groups of citizens. The majority of the believers in non-intervention in the earlier part of the century had been staunchly opposed to Trade Unions as mischievous agencies acting in restraint of trade. But the quick growth of the nation into a community of hired workers had convinced them of the impracticability of depending on the power of the individual contract. They transferred their hopes from faith in the unit to faith in the collection of individuals voluntarily combining to protect by their association the rights of each member. It is significant from this point of view to see the way in which the signatories of the Majority Report of the Royal Commission on Labour, issued in 1895, turn with hope towards the voluntary organisation of the workers as a means of solving social problems, for whatever may be said of the value of Royal Commissions as agents for the adequate collection and analysis of facts, there can be no doubt of their immense importance as indicating trends of opinion.

The Royal Commission on Labour was appointed in 1890, " to inquire into the questions affecting the relations between employers and employed, and the conditions of labour, which have been raised during the recent trade disputes in the United Kingdom." At the end of deliberations lasting several years, they found themselves unable to offer any definite recommendations, and were bound to fall back on pious hopes. Their investigations had shown that by far the greatest number of disputes arose from claims on the part of workers to a rise in wage-rates or from protests against proposed reductions. And as no group had suggested Government intervention in the settlement of wage-rates, this fruitful cause of dispute was left out of the discussion. But with regard to the length of the working day (a matter closely connected with wage-rates), and with regard to the method of settlement of disputes, proposals had been put forward that the State should play a part, in the first case, by fixing a legal working day, in the second, by constituting a statutory industrial tribune. On both these matters the Royal Commission preferred to encourage voluntary action rather than take the decisive step of recommending legislation, and it seemed to them that the growth of association on the part of both workers and employers provided an excellent compromise between abandoning the individual entirely to his own resources or the adoption by the State of such drastic powers. The opening to their " Concluding Observations " is worth quoting in full because it expresses so clearly the attitude of the " New Individualism " :

We desire to say in conclusion that, in our opinion, many of the evils to which our attention has been called are such as cannot be remedied by any legislation, but we may look with confidence to their gradual amendment by natural forces now in operation which tend to substitute a state of industrial peace for one of industrial division and conflict. The growth and development of large industrial establishments during the present century has necessarily resulted in the creation of considerable bodies of workmen more or less separated in their lives and pursuits from those under whom they work. In those manufactures, which in modern times have been carried on upon a great scale with costly machinery, there cannot exist the intimate

relation between the employer and workman and between the workman and his work which is to be found in some small industries where the workman owns, or may hope some day to own, after serving as apprentice or journeyman, his tools, workshop and materials. The mutual ignorance arising from this separation is, we believe, a main reason why so many conflicts take place, turning upon the division of the receipts of the common undertaking between the owners of the machinery and material and the workmen who supply the labour.

It is, however, precisely in those industries where the separation of classes and, therefore, the cause of conflict are most marked, that we observe the fullest development of that organisation of the respective parties which appears to us to be the most remarkable and important feature of the present industrial situation. Powerful trades unions on the one side and powerful associations of employers on the other have been the means of bringing together in conference the representatives of both classes enabling each to appreciate the position of the other, and to understand the conditions subject to which their joint undertaking must be conducted. The mutual education hence arising has been carried so far that, as we have seen, it has been found possible to devise articles of agreement regulating wages which have been loyally and peacefully maintained for long periods. We see reason to believe that in this way the course of events is tending towards a more settled and pacific period, in which, in such industries, there will be, if not a greater identification of interest, at least a clearer perception of the principles which must regulate the division of the proceeds of each industry, consistently with its permanence and prosperity, between those who supply labour and those who supply managing ability and capital. We cannot deny the possibility of organisations of employers and workmen combining together to control an industry injuriously to the public interest, but it may be hoped that such combinations would in the end fail from within, or be defeated by competition arising from unexpected quarters, or be destroyed by changes in methods of production.

As the terms of what is virtually a partnership come to be better understood, and the arrangements for adjusting them to the variations of trade are made more perfect in one branch of industry after another, a natural end will be found to the conflicts which have been the result for the most part of uncertain rights and mutual misunderstandings and pursuance of separate interests, without sufficient regard to their common interest, by employers and workmen.

It is interesting, and perhaps somewhat amusing, that

just at the time when the new orthodoxy was administering this dignified blessing to voluntary associations and looking to them to solve all those problems for which individual competition had so lamentably failed to provide a solution, the workers themselves were beginning to look beyond their organisations for a means of remedying their grievances.

The trade union movement of the 'sixties and 'seventies was Liberal in philosophy. Its members took for granted the capitalist organisation of society and industry, and were concerned to get for themselves as favourable conditions as possible within that framework. Their faith in the power of association to give them what they wanted was such that their only appeals to Parliament were to give greater freedom of action to their unions. Unlike the national unions of the Owenite period they had no concern with the regeneration of society. The working population were not, in their eyes, brothers suffering together the wrongs of an unjust social system. With the unskilled or semi-skilled labourer they felt, in fact, little sympathy, and no consciousness of solidarity. Their ideals were essentially those of the respectable middle class. What they desired above all else was security ; and it was for this end that they strove to establish the standard conditions of employment, and to build up out of regular contributions the big funds through which their members might be protected in sickness, old age and unemployment.

But a new spirit was beginning to permeate the movement. Later when the new unionism was sweeping the country John Burns caused much amusement amongst his audience at the Battersea Labour League by describing to them the appearance of the representatives of these old exclusive unions who had gone as delegates to the Trades Union Congress of 1890. In their respectable city clothes with their top-hats they all of them looked like aldermen, he said, and stood out in marked contrast to the young men representing the new movement in the trade unions, with whom it was *de rigueur* to look what they were, members of the manual labouring class. The difference was not only in appearance ; it was the emblem of a difference in outlook

and aim. For the movement which began in the 'eighties, and to which the name New Unionism was given, was not simply an attempt to extend to the unskilled worker the benefits of that form of association which had before been the monopoly of the skilled. It was rather a demand for a new society, for a new scale of values, for a world which upheld the dignity of the common man, " Our ideal," said Tom Mann and Ben Tillett, two of the most influential and able leaders who dominated the new movement " is a co-operative commonwealth to be reached by effort in various directions." [1] Trade unions could do much for the workers whilst striving towards this ideal, and in fact without adequate industrial organisation the aim could never be achieved. But the power of the old trade unions lay in their ability to get a monopoly of a particular type of labour, and by so doing acquire the authority to lay down the terms on which this could work. And that power would soon be a thing of the past. The sphere of the skilled worker was narrowing rapidly, as machines were introduced to replace craftsmen, and in a short time the vast majority of workers would be machine-minders. How then was it possible to get complete control of the labour supply? What justification could there be for the deep class distinctions between different sections of workers? Better recognise before it was too late that the interests of all employees was the same, in that all were the victims of a system of industry which was based on their exploitation. Of what use was it for trade unions to put together their small funds to try to provide for sickness and funeral expenses? Such provision could never be adequate, and at the same time the fear of dissipating their capital made trade union leaders hesitant and pusillanimous.

Our experience has taught us [it was said] that many of the older unions are very reluctant to engage in a labour struggle, no matter how great the necessity because they are hemmed in by funeral claims, so that to a large extent they have lost

[1] *The New Trades Unionism*—pamphlet by Tom Mann and Ben Tillett written in reply to an article in *Murray's Magazine* by George Shipton opposing new unskilled labour unions.

their true characteristic of being fighting organisations and the sooner they revert to their original programme the better for the well-being of the working masses.[1]

They therefore urged the workers to throw themselves " with religious fervour " into the task of building up strong aggressive organisations whose main function should be that of compelling the State to do for the workman what no trade union was adequate to do.

The four signatories to the Minority Report of the Royal Commission on Labour well represent this point of view. " The fundamental cause of disputes between employers and employed," they wrote, " is to be found, we believe, in the unsatisfactory position occupied by the wage-earning class." They quoted Charles Booth's evidence to show the numbers in London living below the " poverty line," the details of bad housing, of overwork and diseases, and continued :

It is impossible to refrain from connecting this deplorable condition of the working class with the fact that two-thirds of the annual product of the community is absorbed by one-fourth of its members. . . . We think it high time that the whole strength and influence of the collective organisation of the community should be deliberately, patiently and persistently used to raise the standard of life of its weaker and most oppressed members. . . . Much may be hoped, especially among the better paid workmen, from the advance of Trade Union organisation, co-operation and other forms of voluntary association. But for the elevation of the standard of life of the most necessitous sections of the wage earners, we are driven to look mainly to a wise expression of collective action. The social and economic progress of the workers depends, in our judgment, mainly upon the systematic development of democratic public activity in its three principal forms—the national or municipal administration of such industries as can conveniently be managed socially, the regulation of private enterprise in industries not yet taken over by the community, and the public provision, through the taxation of rent and similarly unearned incomes, of educational and other facilities necessary for the mental and moral development of all classes of the community.

This statement is but one expression of many varied aspects of socialist doctrine which seemed to spring up spontaneously, but separately, during the 'eighties. The

[1] *Ibid.*

interest in social regeneration which had been so prominent a characteristic of the early Labour movement had practically disappeared with the failure of the Chartists in the late 'forties. Their lack of success in achieving political enfranchisement for the working man induced them to turn their attention rather to trade union organisation as a means of improving industrial conditions. But a number of factors combined to revive the dormant interest in radical reform. The grant of the vote in 1867, and the consequent bidding for the support of the working class on the part of the rival political parties, roused the more alert and progressive trade unionists to a consciousness of the political power that could now be wielded by a well-organised and well-directed electorate. At the same time, as we have shown, the younger leaders amongst the trade unionists were becoming seriously doubtful of the possibility of achieving any appreciable reforms by industrial pressure alone. But more important than anything else was the fact that the continuous prosperity which had manifested itself during the preceding quarter of a century began in the 'eighties to experience severe checks. At the end of the 'seventies there began the " Great Depression " which, with very few intervals, lasted until the end of the century. Wholesale prices fell, and as they fell the unemployment figures rose. The returns of unemployed members made by the trade unions show 11 per cent as out of work in 1879 ; and though the following years showed some recovery, the figure was again 10 per cent in 1886. The comparative shortage of gold due to the wide establishment of gold-standard currencies at a time of rapidly increasing production had a chronic and universal tendency to depress prices. But British manufacturers in particular were finding a new difficulty in disposing of their goods. Two of the markets on which England had depended—Germany and the United States—were catering increasingly for themselves ; and developments in steam transport were bringing the produce of the New World into competition with home agriculture. The confident assumption that British trade would go from triumph to triumph gave place to apprehension and doubt.

Critics of the industrial system had before quarrelled with its *social* effects, but there had been no cause to question its power to " deliver the goods " in the form of an ever-increasing stream of wealth. The depression in trade, with the appalling misery and suffering that accompanied it, led to a distrust of the system itself, and a search for a new order which should be free of these inherent defects. The result was a revival of interest in socialist ideas and the establishment of a whole series of socialist organisations.

The stream of thought flowed into two distinct channels, separate though related. On the one hand were those who received their impetus from Karl Marx, and whose socialist conclusions were the result of philosophical speculation and economic analysis. On the other were those whose socialist beliefs were the consequence of their own bitter personal experience in the industrial world, or of generous sympathy with the oppressed. Marx himself had little direct influence on any but a few of his English contemporaries, not only because he wrote principally in German and French, but also because the academic idiom he employed was a formidable barrier to the majority of people. His influence, however, if indirect, was incalculable. For he inspired with his doctrines a small band of brilliant men and women who set themselves to interpret his teaching to the world. Of these the most important was H. M. Hyndman, and it was due mainly to his writing and teaching that Marx's theories became known in England. His *England for All*, an exposition of the Marxian views on capital and labour, published in 1881, was intended to act as a basis for a new democratic party. The book criticised unsparingly the belief that unregulated enterprise is good even from the point of view of production, and pointed to the recurring crises as evidence of the breakdown of a system which depended on the desire for profit-making. But however much it might be condemned for not producing an adequate supply of goods, even more must it be criticised for its social effects.

The facts, the bare hard facts [he says] condemn unceasingly our unregulated system of capitalist production, which, based

solely on selfishness and gratifying greed, takes no account of the morrow, nor any note whatever of the mischief inflicted on the human race. Where the State has interfered to control and change the baleful conditions of life for the mass of our countrymen, there, and there alone, some little good has been done.[1]

England for All contained only oblique references to the man from whom its inspiration had been derived, a fact which cost Hyndman the friendship of Marx. But two years later he sought to make amends by publishing *The Historical Basis of Socialism*, a comprehensive survey of economic development founded on Marx's researches, and described by the author as " the first book published in the English language dealing at length with Scientific Socialism." [2] Hitherto, he argued, the history of England, particularly the history of industry and commerce, had been written from the middle-class point of view. The utmost limit of criticism that had been reached was denunciation of the landlord as a cause of loss of wealth, or of the degradation of the masses. This book was written to show the effects of middle-class and capitalist rule, particularly in the last two hundred years. He traces the development of the organisation of industry and agriculture from the fifteenth century, a time when he considers the ordinary man to have been at his happiest. Then he owned his own tools and land, produced mainly for his own needs, and depended but little on exchange. But with the enclosure of farms in the sixteenth century began the decline from this idyllic situation ; and the growth of a merchant class and of machine industry gradually resulted in the degradation of the common man to the position of a wage-slave. And, since the capitalist is motivated by the desire for gain, he uses his power as an instrument of exploitation, to give or withhold jobs, to rob the labourer of part of what he produces. For Marx, and therefore Hyndman, accepted the orthodox Ricardian view that all value is created by labour. It followed from this that any wealth obtained by the capitalist, any interest or profit or rent, must be got

[1] *England for All*, p. 83.
[2] Preface to the *Economics of Socialism, 1896.*

by stealing from the labourer the fruit of his work. Wages, they contended, were merely a sufficient payment to keep the labourer alive and ensure an adequate supply of workers for the future. All above this, the surplus value, was taken by the capitalist. His effort to increase this surplus value led him to attempt to force the workers to work for longer hours and for less pay. If these efforts were unsuccessful he tried to minimise the cost of labour by introducing labour-saving machinery. Thus the tendency was to an ever-widening gulf between the men who own the machines, and the men who are dependent on them for the power to earn a living.

This process, however, brings its own Nemesis. For in machine industry it is the large-scale business which has the advantage in ease, efficiency and cheapness of production. And thus comes about the tendency, so characteristic of the nineteenth century, for the large business to swallow up the smaller, for the size of the industrial unit to grow, and for the whole productive power of an industry to be gradually concentrated under the control of one of a few very big firms. Along with this increased concentration of power on the one hand, there grows the mass of misery, poverty and oppression on the other. As the growing proletariat begins at last to realise the cause of its degradation and exploitation, its members combine to protect themselves. Conscious of their grievances and of their value they use their political power to curb the greed of the capitalist; until finally the centralisation of production reaches such a point that the organised state, under the control of politically-conscious labourers, is able to throw off the capitalist framework and carry on the industries in the public interest.

This is not the place to discuss the validity of the Marxian analysis. The importance from the point of view of social legislation is that Marx and his disciples threw all the emphasis upon social organisation, and taught people to look to the State as the power through which bad conditions should be ameliorated. They denied completely the orthodox view that a man's income represents, in any respect, his social worth; rather does it represent, in their view, his ability or inability to exploit those around him. Those

who stood in need of help were to be pitied rather than blamed, for they were the victims of an unjust social order.

> So long as men will argue as if the poor child born in a labourer's hovel or in a cellar in Drury Lane and brought up too often with insufficient food and under bad sanitary conditions is really a free and independent individual and not almost certainly doomed for life as a wage-slave to the possessing class, it is impossible for them to deal adequately . . . with the removal of pauperism in any way.[1]

Hyndman approved of the Poor Laws as distinctly socialist in character, for they were founded on " the principle that the community has duties towards all its members, no matter how unthrifty or even how absolutely wasteful they may have been as individuals." [2] Not that the existing Poor Laws were satisfactory, for they were an inadequate and poor substitute for the proper organisation of labour, which would render such State help unnecessary. Their object was to relieve distress temporarily, rather than to eradicate its causes. Moreover, their deterrent character prevented their administrators from making a constructive contribution to the rebuilding of society. The harshness of treatment to those in workhouses and casual wards was an effort to frighten people away from them, but as men came to pauperism not through their own will but because of defects in the social organisation, the authorities were unsuccessful in keeping down the number of paupers, and at the same time missed the opportunity of building a new and better social order. Pauperism could not be obliterated except by collective ownership of the means of production, since only then would there be an end to exploitation of the worker. But meanwhile good food, good education and adequate training can have their effect in physical and moral regeneration ; and the Poor Laws therefore formed a valuable starting-point, in connection with other State departments, for that collective organisation of labour, combined with the relief of the distressed, the sick and the aged which under the full control of a state elected by universal suffrage, would supplant the present competitive order. In such circumstances, to

[1] Hyndman, *Historical Basis of Socialism*, p. 394. [2] *Ibid.*, p. 377

speak of State assistance as degrading would be absurd. For if the State came to be the organised force of the whole people uncontaminated by class greed or class domination, then help given by the State would be no more than a return for labour rendered in the past, or to be rendered in the future.

It was realised, however, that to expect the nation to give full and immediate acceptance to new ideas was to hope for the impossible, and a more moderate programme was decided upon. Hyndman's enthusiasm resulted in the formation in 1881 of the Democratic Federation which was soon joined by the most prominent socialists of the country, including William Morris, Belfort Bax, Harry Quelch, etc. In the manifesto which they published in 1883, called *Socialism Made Plain*, they set forth their programme. First, the political machinery must be made responsive to popular demands; and for this adult suffrage of men and women, abolition of the House of Lords, paid Members of Parliament and annual conventions were considered to be necessary. But the reorganisation of political machinery would be of no value unless it was used to improve social conditions. Nationalisation of the land and communal ownership of all the means of production were the ideals to be aimed at. As stepping-stones to this ideal they devised the following programme:

(1) Compulsory construction of good houses for workers,

(2) free compulsory education, with one good meal per day,

(3) eight hour day or less as the normal working day,

(4) cumulative tax on all incomes over (say) £300,

(5) State railways (with or without compensation),

(6) national banks, nationalisation of land and the organisation of agricultural and industrial areas under State control.

Their manifesto ended with an appeal to the public.

"Educate! We shall need all our intelligence.
Agitate! We shall need all our enthusiasm.
Organise! We shall need all our force."

The society soon changed its name to the Social Demo-

cratic Federation in order to emphasise the difference in its attitude from that of the ordinary radical. Almost from the outset it was torn by internal dissension. It attracted to its ranks all those who were bitterly critical of the existing order. But discussion soon showed that their diagnosis of the evils criticised was not identical, and the remedies they prescribed therefore also showed little unanimity. There was all the difference in the world between Hyndman's scientific analysis of social development, and the disgust and repulsion felt by an artist and craftsman such as William Morris when he surveyed the vulgar crudities of an industrial civilisation. Hyndman's mind led him naturally to construct practical programmes of reform: Morris's, equally naturally, led him to the building of dream worlds in which men laboured for the joy of creation and lived in harmony with one another. Men of such dissimilar stamp could not work together easily for long, and already in 1884 Morris and other dissentients from the policy of the leaders of the Federation withdrew, and formed the Socialist League. As an auxiliary in the agitation of practical reform it played no part at all; it represented views too diverse. But it contained men of great literary ability, and its effect in familiarising people with the socialist ideology is evidenced in the large number of halls for reform meetings which bear Morris's name.

The Federation, purged of this opposition, threw itself whole-heartedly into propaganda and organisation. Its aim was to become a political party, so that its candidates might voice in the House the demand for the use of State powers to improve the conditions of the working class. But its attempt to carry this into effect proved its undoing. Three of its candidates contested constituencies in the 1885 elections, but the record of votes—one man polled only 27—proved that the great mass of the electorate were either completely ignorant of, or else hostile to, socialist doctrines. And, indeed, the Federation, based as it was on the teaching of Marx, has never played more than a minor part in the English socialist movement. For nothing strikes one more forcibly in reading reports of meetings or memoirs of early

leaders than the fact that the English socialism of the late nineteenth century was essentially non-doctrinaire. It gained its strength from passionate resentment against bitter personal experiences, and from strong moral indignation at the sight of oppression, ugliness and injustice. A contrast is often drawn between the Utopian Socialism of the 'thirties and the Scientific Socialism of the end of the century. In fact, however, with the exception of the small Social Democratic Federation, the specifically *English* socialism was anything but scientific. If we were to label it at all, we could find no better name than " religious." The criticism of existing society may be phrased in economic terms, but the basis of the criticism is almost invariably ethical. The influence of the Marxian socialists lay largely in the fact that they could provide ready-made phrases to make articulate the dumb feelings of those who looked on the world and saw that it was bad ; and the aspirations of those groping blindly towards a new order of harmony and beauty were expressed in phrases that had sprung from a very different source. Most of those men who have given to English socialism its particular form had never heard of Marx, but through their hatred of the ills of competitive society had come spontaneously to a belief in some collective organisation. Only when their views and work brought them into touch with the more doctrinaire socialists did they come to clothe their ideals in Marxian terms.

There is no leader of English socialism who had more influence or gained a more devoted following than James Keir Hardie ; and he represents very strongly this type of religious, mystical temperament, to whom socialist ideas were, in his own words, " very closely akin to the principles set forth in the Sermon on the Mount." Hardie was born in 1856 in a one-roomed cottage in Lanarkshire, the son of a ship's carpenter and a domestic servant. Both his parents were of strong character and independent mind. They were anxious to give their son a chance of some education, but their poverty was against them. When the boy was only seven years old, the father was hurt at work. It was before the days of Workmen's Compensation, and the family had

to struggle along as best it could. Almost as soon as the father was able to start work again, a strike in the shipbuilding industry began. This misfortune, coming on the heels of his accident, made it impossible to keep the child any longer at home, and he went to work to help the family fortunes. These early experiences in a variety of odd jobs left an indelible mark on Hardie's mind, and in later life, he never referred to them without bitterness. One incident, in particular, helped to mould his mind and sympathies. When he was ten years old, his wage of 4*s*. 6*d*. a week as a messenger boy to a baker was, for a time, the sole income on which the family was subsisting. One child died; another was about to be born. His tasks at home made him a few minutes late for his work at the shop, and when he arrived he was told to go upstairs to the master. He found the master's family at breakfast, the table loaded with food, hot bacon and eggs and steaming coffee. He was lectured for his lateness, dismissed, and, worst of all, his week's wages were confiscated as a fine. Filled with despair, the little boy tried to explain what was happening at home, but the master remained obdurate. And Hardie, with misery and rage in his heart, wandered about all day, afraid to break the bad news to his mother. That night the new baby was born into a destitute home. Hardie always referred to this incident as "not only a turning point in my life, but in my outlook upon men and things." [1] He was determined to use all his energies to improve the lot of the people amongst whom he was born; and as soon as he was old enough to become a miner, he began to teach himself to read, in order to prepare himself for his job of organising his fellow-workers.

Already when he was only twenty years old he began to be chosen by his fellow-miners to represent them and to make articulate their grievances, with the result that he and his two brothers were turned out of their jobs. Hardie managed to set up a tobacconist's and stationer's shop and became a contributor to the *Glasgow Daily Mail*. He thus gained greater freedom to carry on his work for his former

[1] Quoted, W. Stewart, *Life of James Keir Hardie*, p. 4.

colleagues, and in 1879 he became Miners' Agent for Lanarkshire, and was later appointed National Secretary, to try and form a national organisation. In 1886 the Ayrshire Miners' Union was formed, with Hardie as its Secretary at a salary of £75 a year. At this time Hardie was a Liberal; but his own experiences, and the knowledge he had of working conditions led him to realise the tremendous importance of placing some definite check on the power of the employer. That a great deal could be achieved by the collective action of the trade union he was convinced. This led him to throw so much energy into the work of organising the industry with which he had been associated. At the same time he was beginning to doubt whether this collective power was sufficient by itself. And the passing in 1884 of the Franchise Act which gave the vote to the country worker seemed to him to point the way out. It was to use democratic power to compel the State to protect life rather than property. This in itself, however, goes no further than the new Individualism. This is not in any sense a distinctive or socialist conception. His break from liberalism came when he began to doubt the wisdom of electing to Parliament men who themselves stood to gain by the continuance of the very conditions that the worker trusted to Parliament to abolish. Was it any use to vote a man into the House and hope he would support an Eight Hour Bill when this same man, as a capitalist employer, was fighting the trade union outside the House on this very issue? Did not this point to two conclusions? Firstly, that the workers needed in Parliament a body of men who understood their point of view and could represent their interests? Secondly, that the interests of the workers were, in a great many respects, essentially and fundamentally divergent from those of their employers; and that those interests could never be reconciled in a society which was based on private enterprise for private profit. Keir Hardie's ideas took this socialist shape before he had ever heard of Marx, and throughout the whole of his life, when he was completely identified with socialist propaganda, he never accepted the Marxian ideology. He was a preacher rather than a scientist.

He was singularly impatient of dogma and had no interest in speculation as to the structure of the future socialist state.

> To dogmatise about the form which the Socialist State shall take [he wrote] is to play the fool. That is a matter with which we have nothing whatever to do. It belongs to the future and is a matter which posterity alone can decide.[1]

The only important and fundamental thing he held to be that land and industrial property should be held in common, and the processes of production, distribution and exchange be regarded as social functions. If this was once accepted as the right basis, the rest would be simply a working-out of detail that could be left to the future.

To the Marxian member of the Social Democratic Federation, socialism was the culmination of a long historical process of economic development. It was demanded by implacable historical necessity. To Keir Hardie socialism was an inspiration, a burning faith, an assertion of man's higher nature. "Socialism is the reign of human love in room of hate"; "Socialism means the moralisation of industry."[2] These are the phrases he uses to express his convictions.

But if there was a strong evangelical and mystical element in Keir Hardie, this did not prevent him from becoming an excellent leader and organiser. The ideal he set before society was simple in basis and vague in outline; but the methods of achieving it were, in his mind, definite and feasible. The levelling-up of submerged sections of the population could be accomplished only by social legislation, and for this purpose it was essential for labour to unite for political ends. Early in 1895, therefore, a conference was held in Bradford which resulted in the formation of the Independent Labour Party.

From the outset the new party took its stand on socialist ideas, but it was socialism of the most general and non-doctrinal variety. A belief in the importance of the public ownership and control of the means of production was the only article of faith demanded from the members. It was

[1] J. Keir Hardie, *From Serfdom to Socialism*, p. 96.
[2] *I.L.P. Platforms*, No. 24.

not only in this respect that it differed from the Social Democratic Federation. The latter body tended to ignore the trade unions, to think of them as mere negotiating bodies, of value perhaps in a capitalist régime, but able to play no part in the transformation of society. The I.L.P. looked upon itself as the political outcome of the trade union movement. Although it included the word "labour" in its title, this was not because it was confined to manual workers. Indeed it repudiated the idea that it was a class organisation and tried to draw into its ranks the rich and middle class who accepted its ideals. But, in fact, it drew its real strength from the collective organisation of the workers in the unions; for the unions, like the Party, were fighting for improved conditions and a higher standard of living for the working man. It was only because the unions must of necessity fight a losing battle in this conflict that it became essential to organise politically in order to establish the new order.

It was this obscurity about the details of the future socialist state, coupled with its realistic understanding of the facts of the English economic situation, which gave the Independent Labour Party its position as the dominant socialist body, and made it, rather than the Social Democratic Federation, the rallying point of the progressive forces of the country. The immediate demands they put forward were not, in fact, very different from those embodied in the Federation Manifesto: an eight-hour day, free secular education, a living minimum wage, pensions for the sick and the aged, and so on. But the tactics they employed as well as the genesis of their ideas were very largely different.

The same ignorance of the Marxian thesis, the same spontaneity, the same emotional element can be seen in the other socialist leaders who most influenced the public opinion of the 'eighties and 'nineties. As a thinker, Robert Blatchford was negligible; but his racy manner, his vigorous style, his power of apt illustration, his capacity (as it were) to buttonhole his reader and talk to him as man to man gave him an unrivalled influence on the man in the street. His booklet called *Merrie England*, published in 1895, had an

immense sale; and it was probably from this and Blatchford's other writings such as *Britain for the British* or his regular work for *The Clarion*, a weekly paper founded by himself and A. M. Thompson in 1891, that the ordinary man learned his socialism. Despite its vulgar crudities, its ill-digested thought and the not infrequent absurdity of its contentions, it is largely through Blatchford's writing that the recognised clichés of socialist ideology passed into the current vocabulary of the working man; and that the rank and file began to look to the control of the State for their protection. Yet Blatchford himself came to socialism, not by the Marxian route, but by a process of sudden conversion. He describes it in his usual vigorous manner in his record of his life—*My Eighty Years*. He there recounts his early life of poverty and hardship, and the sympathy it engendered in him for the humble and the poor. He longed to find some way of improving matters and having, after an adventurous career, turned to journalism, had used his pen to advocate democracy and land reform; but of socialism he was critical.

> I wrote a leader one morning in which I ridiculed Socialism. A Liverpool man sent me a personal protest. He said I knew nothing of Socialism and was talking nonsense. I pondered his criticism and it was born in upon me that he was right. I did not know anything about Socialism beyond what I had read in other papers, and I had been talking through my hat. I said so in the *Chronicle* and asked for information. The Liverpool workman sent me a pamphlet *What is Socialism?* by William Morris and H. M. Hyndman. That as the boys say "tore it." I had thought out an economic scheme for myself; but directly I grasped the collective idea I saw that it was what I wanted. I was full of anger and pity for the wrongs and sufferings of the poor, and burning with eagerness to help the underdog. I went in for Socialism as my friends remarked "baldheaded."[1]

It is the language of the revivalist rather than of the scientist. The other working-class leaders had more direct knowledge of the industrial situation but shared Blatchford's ignorance of the theoretical basis of socialism.

It is specially characteristic of our English habit in politics

[1] R. Blatchford, *My Eighty Years*, p. 191.

[says Mr. J. H. B. Masterman] that we first do things and then start theories to account for our doing them. No great revolution in England has ever been started by political philosophers; but political philosophers have always been found to justify revolutions already made.[1]

There is, of course, some exaggeration in this statement but it expresses a general truth, as is illustrated by the gradual identification of the New Unionism with Socialist ideas.

By the end of the nineteenth century the inadequacy of the old types of trade union in protecting the standards of living of the semi-skilled and unskilled workers—two sections who were rapidly becoming the majority of the wage-earning class—could with difficulty be ignored. Some greater power had to be appealed to. The trade union was of value, but its worth consisted mainly in its power of insisting aggressively on the rights of the worker and demanding that those rights be protected by the authority of the State. To make the union a fighting, rather than a negotiating body, became the policy of the new leaders of the unskilled. It was their power and influence which changed the philosophy of trade unionism from one which was predominantly Liberal to one which was predominantly Socialist. For they believed that a community which would use its power deliberately to raise the standards of its weaker members must acquire a different scale of values from that accepted by the individualist. It must be prepared to put human life before property, and co-operation before competitive enterprise.

The leaders of this new movement, Tom Mann, John Burns and Ben Tillett, were all of them of working-class origin, and reached their socialist conclusions as a result of empirical observation rather than of deliberate reasoning. They realised the difficulties of the dockworker, and the gasworker and the other unskilled or casual labourers. It seemed to them that legislation, and legislation alone, could materially improve the situation. They adopted socialism because its philosophy of brotherhood and equality had a natural appeal to those who had been brought up among the

[1] Quoted in W. J. Brown, *Underlying Principles of Modern Legislation.*

harsh consequences of an economic order based on competition. Tom Mann in his Memoirs describes his chance friendship with socialists in London, in the early 'eighties; and how, becoming attracted by their faith, he found a more complete satisfaction than he had ever before experienced—though he admits that he knew practically nothing of the economic relations of the classes. Ben Tillett, in his *Memoirs and Reflections*, says, "I was a Socialist because I was a Trade Unionist, and I saw clearly that an alliance of Trade Unionism and Socialism was a necessary and legitimate consummation of the life-giving impulses of both." [1] As with Keir Hardie, to these men socialism was an underlying faith, not a scientific thesis. It was the hope that inspired them and gave them courage. But their main concern was with immediate practical reforms and the means of instituting them. It was this interest in the practical matters and the desire to ameliorate here and now the conditions of the poor, instead of merely formulating the details of a new and better world, which made the characteristic British movement a Labour, rather than a Socialist movement, and which swung the trade unions away from their traditional policy of *laissez-faire*, to an advocacy of what practically amounted to State socialism.

During the whole of the 'nineties the old and the new views contended for supremacy in the trade union world. At the Trade Union Congress meeting of 1891 the President in his opening address was able to say, "Probably the great dividing line among us is as to the proper functions of the State," and to declare his own conviction that the proper course to pursue was to rely on self-help and collective bargaining. By 1899 the new school had won. A resolution was passed instructing the Parliamentary Committee to convene a conference to consider how the various sections of the working-class and socialist movements could co-operate for political ends.

A Labour Conference held in Edinburgh in January 1900 brought together over two hundred delegates from Trade Unions, Trade Councils, Co-operative Societies, the Social

[1] Ben Tillett, *Memories and Reflections*, p. 116.

Democratic Federation and the Independent Labour Party. Considering how short a time it was since the idea of a separate political Labour Party had been utterly flouted, the speaking and voting revealed a remarkable degree of unanimity. The principal resolution ran as follows:

> Recognising that no real progress has been made with those important measures of industrial and social reform which are absolutely necessary for the comfort and well-being of the working classes, and further recognising that neither of the two political parties can or will give effect to these reforms, this Conference is of opinion that the only means by which such reforms can be obtained is by having direct independent working class representation in the House of Commons, and hereby pledges itself to secure that end as a logical sequence to the possession of political power by the working classes.[1]

Six weeks later a similar conference was held in the Memorial Hall, London, and resulted in the formation of the Labour Representation Committee, later called the Labour Party, with J. Ramsay Macdonald as its first secretary. From this moment the trade union movement definitely accepted political action as one of its weapons and looked to State legislation, rather than collective bargaining, as its main lever to ameliorate the conditions of the worker.

There was still one other force whose effect was to focus men's attention on the power of the State. The Fabian Society had been founded in 1884 by a number of men whose aim was to work towards a better life, and who settled down to a study of social questions. Had it remained with only its original membership it would probably have been of no historical importance, and have suffered the fate of innumerable similar organisations. But shortly after its formation it attracted to itself a group of intellectuals, including Sidney and Beatrice Webb, Graham Wallas and Bernard Shaw, whose combination of gifts was so remarkable that they developed the society into one of the major constructive forces of the period. The society started with no preconceived ideas except that its members were socialist. And even their socialism was of the vaguest and most indefinite kind. They set themselves to find out by reading and

[1] Report in *Labour Leader*, January 13, 1900.

discussion exactly what they meant by socialism and how they proposed to fulfil their ideals. Early in their history they repudiated the doctrines of the Social Democratic Federation, as offering too narrow an interpretation of social and economic development. At the same time they agreed that the "scientific" socialists had made an immense contribution to thought by their insistence on the element of growth in society. Social organisation is never static; a new form is always evolving out of its predecessor. There is, therefore, no need to attempt complete substitution of one structure by another, even if more perfect one. "Advocates of social reconstruction have learnt the lesson of Democracy and know that it is through the slow and gradual turning of the popular mind to new principles that social reorganisation bit by bit comes." [1] The important thing is to know what you are aiming at, so that the constant, if slight, modifications of the existing régime may gradually emerge into one that is better and more harmonious. In the early nineteenth century, the rapid change from the old simpler economic system into the new, more complex industrial world left a chaos of rival philosophies in men's minds. Men brought up in one world found themselves in another, in which all the familiar landmarks were fast disappearing, and looked round in a bewildered way for some guide by which to chart their course. It was to this that the supreme importance of Bentham was due. With his clear and logical mind he was able to offer a comprehensive standard. And "the greatest happiness of the greatest possible number" became the yard-measure of all laws and institutions. It is true to say that had that idea (with its corollary that as each man knew his own happiness best all should be left free to attain their own ends) not commended itself so strongly, the whole development of the nineteenth century would have been very different. It led to an attack on privilege, wherever privilege raised its head in an obvious and positive form. It led to the advancement of political democracy, to prison-reform and factory legislation, to public education and the reorganisation of the Poor Laws.

[1] Fabian Essays, 1889, *Historical*, by Sidney Webb, p. 34.

But by the end of the nineteenth century the Benthamite teaching was no longer so admirable a guide as it had been. Not because " the greatest happiness of the greatest possible number " was any less excellent a goal, but because the other parts of Bentham's philosophy with which it had become inextricably bound were no longer so apt. The utilitarians' view of privilege, and consequently their view of freedom, had been too narrow. That the landowner, with his monopolistic control of the first essential of economic life, was in a position of privilege, was obvious. What was not so apparent was that the landowner was only one of a big class. Differences in situation, differences in social position, differences in ability, and in education, differences in the size and wealth of businesses give to individuals and groups a pull on production entirely similar to that of the landowner. The recognition of " rent," the gaining of wealth as a result solely of being in exclusive possession of some differential advantage over one's competitors, was the factor which necessitated a new social philosophy. For if a man grew wealthy through a position of privilege, to remove the rent element in his income could not in any way decrease his stimulus to invent and produce. By its very definition, it came to him whether he took thought for the morrow or not. The realisation of this more insidious, less obvious type of privilege necessitated a new philosophy, and, declared the Fabians,[1] it was the task of socialism to provide this, to present a body of systematic thought so as to induce people to reason after a new fashion, and according to principles wholly different from those to which they had been accustomed. The socialist, in fact, should be to the twentieth century what Bentham had been to the nineteenth. The principles of Individualism had long been tacitly abandoned by public men, but remained enshrined in the imagination of the middle class. A new epoch was beginning, a whole world of new relationships was opening up, to which the old Liberal philosophy with its atomic view of society was not appropriate. But in thought men clung to the old clichés even though in their actions they

[1] Fabian Tract 51, 1894, Sidney Webb, *Socialism True and False.*

forsook them. Some concrete grievance, some remediable ill led them to demand legislative reform even while they still labelled themselves advocates of self-help or private enterprise.

> Political platforms tend to be constructed not so much out of abstract statements of rights and principles, as out of lists of new laws to be passed by the successful party. . . . Every Englishman, not excluding the most conservative, has his own pet list of reforms.[1]

But if you do not clearly see your aim, your varied modifications may lead to no better social structure as a whole. The socialist therefore supplies the guiding principle because he recognises the nature of social property and aims at getting control over it for the community.

> On the economic side Socialism implies the collective administration of rent and interest, leaving to the individual only the wages of his labour of hand or brain. On the political side it involves the collective control over and ultimate administration of, all the main instruments of wealth production. On the ethical side it expresses the real recognition of fraternity, the universal obligation of personal service and the subordination of individual ends to the common good.

Socialist doctrine could thus provide the guide for the legislator for whom Bentham's teaching was no longer appropriate. And though to take over the actual instruments of production was a matter which required profound consideration, careful experiment and long preparation, the public interest could yet be guarded in the interval by collective regulation of the conditions of labour, and by communal protection of the standard of life of the masses. For no man could make his proper contribution to national efficiency and social well-being unless he himself had an adequate supply of the prime necessaries of life—of food and house-room, and leisure and education.

The Fabians, therefore, set themselves the task of discovering to what extent the general mass of the population failed to enjoy the standards essential to efficient development, and to formulating practical proposals for ensuring a

[1] Sidney Webb, *Socialism in England*, 1889, p. 118.

healthier state of affairs. They were content to leave the constitution of the future socialist state to look after itself, and threw all their intellectual and literary weight into pushing forward a practical programme of reform that was immediately realisable. They have never attempted to form themselves into a separate party for this purpose; they have been content to achieve their ends without bothering overmuch as to who were the agents. Naturally enough they could expect more sympathy and support from the working classes than from any other group, and their help and propaganda were largely instrumental in bringing the Labour Party into being. But at the same time, they never hesitated to try and permeate other parties and through them get their legislative reforms introduced.

Thus in the new orientation of men's minds, in this turning towards the State for help which began in the late nineteenth century, the religious socialism of the Keir Hardie type provided the inspiration, the trade unions with their funds and voting power provided the machinery, and the Fabian Society provided the direction. It was largely due to the immense erudition of Mr. and Mrs. Sidney Webb, to their capacity to face and estimate economic and political realities, and to their knack of summing up a policy in a quotable phrase that the Fabian doctrine of the "National Minimum Standard" became the guide for social and economic reform, and the basis of the social legislation of the twentieth century. Thus in consequence of attacks from different quarters and of loss of faith within the citadel itself, by 1890 *laissez-faire* was dethroned from its high estate. To appeal to the authority of the State for protection could no longer be considered inadmissible in principle nor be denounced with the zeal and intolerance of religious faith. It is true that with the exception of the few who were avowedly socialist, it was still regarded as something exceptional, as a last resource when all other means had proved useless. But once the movement had started it rapidly gained impetus. By the end of the first decade of the twentieth century the whole conception had changed. It was not merely that a larger number of people were to

be found as adherents of one brand or another of the socialist creed, though this was indeed the case. But that those who remained passionate critics of socialist philosophy and policy, those who still called themselves Liberals and voted at elections for the Liberal candidate, showed a complete revolution in their traditional attitude to the relations of State and individual. This change was, of course, partly due to the pressure of the socialists. The growth of the Labour Party, as a force to be reckoned with, had the effect of compelling existing political parties to take a step to the left, if they were still to command the support of the working man. And also the constant reiteration of " the State ought to do this " and " the State ought to do that " by familiarising men with the idea of the State as an active participator in economic affairs, tended to break down those inhibitions against legislation which the majority of men had obeyed as their political principles. Again, as each tentative inroad on inaction was made without any disastrous results, the case for successive policies was strengthened.

But perhaps more important than anything else in accounting for this revolution in thought was the rapid accumulation of accurate knowledge. For this did, in fact, present a picture of society which was entirely different from what people had imagined. When Charles Booth made his revelations of the poverty and squalor in which a third of the population of London was living, there were many who, horrified as they were, could comfort themselves with the assurance that London was unique in this respect. Its size and complexity, the peculiar nature of its economic and social development produced conditions which were unlikely to be found anywhere else. But in 1899 Mr. Seebohm Rowntree made a similar enquiry into the lives of the wage-earning population of York, with the aim of finding the proportion who were living in poverty. When his enquiry was complete he found himself " much surprised " with the results of his investigation, for they depicted a situation so much worse than he had anticipated.

In order to calculate the number living in poverty he found it necessary to estimate the minimum cost upon which

families of various size could be maintained in a state of physical efficiency. This estimate was based upon the assumptions that the diet was carefully selected, that the housewife understood the nutritive values of various foodstuffs, and was able to buy them at the lowest current prices. It allowed a diet less varied even than that supplied to able-bodied paupers in workhouses. It assumed that the only clothing purchased was of the plainest and most economical description and the minimum quantity necessary for health. Nothing was allowed for except the absolutely essential expenditure for the maintenance of merely physical efficiency. Anybody found living on an income smaller than this estimate (calculated in proportion to the number of dependants) was said to be living in " primary poverty."

But in fact, of course, the people of this class are unlikely to have the stoic virtue required to devote every penny to the maintenance of a scientifically-devised physical efficiency. Some of the income may be wasted on drink or other expenditure not strictly necessary, or the wage-earner may buy a newspaper or take a tram-ride. And an income which, by the first calculation, could have maintained them, would be found inadequate. Those whose earnings would have been sufficient to maintain merely physical efficiency if all had been spent with this object, but who in fact spent some part of it in other ways, were described as living in " secondary poverty."

Now Rowntree's results tallied in a remarkable manner with those of Booth. He found that of the total population of York, nearly 10 per cent [1] were living in primary poverty and nearly 18 per cent [2] in secondary, making a total of nearly 28 per cent in all, as compared with Booth's figure for London, compiled on a similar standard, of 30·7 per cent. The conclusion to be drawn was the " startling probability that from 25 per cent to 30 per cent of the town population of the United Kingdom are living in poverty," [3] and when it was realised that at this time 77 per cent of the population were returned as " urban " the gravity of the situation

[1] 9·91 per cent. [2] 17·93 per cent.
[3] B. Seebohm Rowntree, *Poverty: a Study of Town Life*, p. 356.

could hardly be exaggerated. There were many who fastened on the big difference between the numbers in primary poverty and those in secondary as a support for their contention that moral regeneration was the prime necessity. Careless improvident expenditure, early marriage, drink, gambling, all took part of the income on which so many might, if they had had the strength of purpose, have lifted themselves above the lowest poverty line. But the critics who laid such stress on character seemed to forget that social environment can have an effect on people's lives and that it contributes to the formation of character. If all the men and women in this second class possessed, in addition to their physical feebleness, lack of training and a depressing environment, the most astounding perseverance, they would need virtues and powers far in excess of those characterising any other section in the community if they were to succeed in lifting themselves on to a higher level. And even so, as Mr. Rowntree pointed out, the 10 per cent in primary poverty remained: "Nothing can be gained by closing our eyes to the fact that there is in this country a large section of the community whose income is insufficient for the purposes of physical efficiency, and whose lives are *necessarily* stunted." [1]

As one problem after another was investigated there emerged the realisation that the evil to be remedied was not primarily the destitution of a small group; that, in fact, to concentrate on destitution was to beg the question that most needed investigating. For people began to appreciate the fact that the community was not made up, as had been so freely assumed, of the general mass living lives of modest comfort and well-being and a small minority who had fallen over the abyss into poverty. They began to see that the whole body of working people were constantly on the edge of a precipice, living precariously balanced on the very margin of hardship and want. The constant fear of unemployment, the destitution that resulted from the illness or death of the breadwinner of a family, the poverty that was

[1] B. S. Rowntree, *The Poverty Line*, 1903, pamphlet written in answer to Mrs. Bosanquet's criticism of *Poverty*.

the almost invariable accompaniment of old age, the bad housing conditions and lack of educational opportunity that stunted the physical and mental growth of the new generation—these were the conditions that coloured the lives, not of a submerged tenth, but of the general mass of society. "The problem of preventing poverty," said Mr. Tawney, in his inaugural address to the Ratan Tata Foundation in 1913, "is not primarily to assist individuals who are exceptionally unfortunate. It is to make the normal conditions under which masses of men work and live such that they may lead a healthy, independent and self-respecting life when they are *not* exceptionally unfortunate."

It was this understanding of the *normal* conditions of life which changed men's conception of the State so that they came to demand that organised society should do for its members what they are unable, either as individuals or as members of voluntary associations, to do for themselves: that is to obtain such security in their standards of living as would enable them to have freedom and capacity to develop their individual potentialities. Men of liberal opinions, whether socialist or non-socialist in their philosophy and ultimate aims, came to agree on this as immediate policy. For the socialists the National Minimum Standard of the conditions of civilised life was a recognised aim to be deliberately kept in view. The general body of voters had no such conscious purpose; but the idea that certain conditions were intolerable in a civilised community came to be part of the political and psychological atmosphere, and gained support for legislative proposals that twenty or thirty years earlier would have been put on one side as revolutionary and suicidal.

CHAPTER II

OLD AGE

MOST of us are sufficiently optimistic as to believe ourselves immune from serious disaster. Though sickness and accidents may be recognised as academic possibilities, most of us hope to escape any serious inflictions. But a long life is not usually regarded as an evil to be avoided. Few people think of themselves as dying young. So that of all the contingencies that might interfere with the normal ways of earning a living, one might anticipate that old age would be the one most regularly provided for, and that its very inevitability would ensure that only in abnormal circumstances would it be a cause of poverty. In fact, however, at the end of the last century the very reverse was found to be the case.

To get a precise and accurate picture of the extent of pauperism is always a difficult matter. The amount of technical pauperism, i.e. the number of those in receipt of State relief, depends largely on the temper of the administration. If those in control are inclined to be lenient in their interpretation of the law, the number of those relieved will swell even although the economic conditions may not have altered. Relief, again, takes different forms, from the provision of a bottle of medicine for a sick person otherwise economically independent, to the complete responsibility for a whole family. And whereas some remain in receipt of help over a long period, others swell the records by constantly reapplying for temporary assistance. If every fresh application of the same individual is counted in the record of cases relieved, the extent of pauperism will obviously seem more than it is. The usual way to get over these difficulties is to make a count of those in receipt of relief on a particular day, and make the necessary addition

to arrive at the number relieved during the year. The question here concerns the amount that should be added. Much depends on the time of year when the initial enumeration is made. A count made in January is likely to include a much larger proportion of those who will be in touch with the Relieving Officer at some time in the year than would a count made in July. The frequency of application also varies according to age. The old are more settled in their habits. Those of them who become destitute are more likely to remain so over a long period than are those who are still in the prime of life. The latter may suffer some misfortune, such as an accident or unemployment, which prevents them temporarily from providing for themselves, but there is a strong chance that they will soon earn a living again. A larger percentage must therefore be added to the figures of the one-day count in respect of the younger age-groups than of the old, if an accurate idea is to be secured of the numbers of the population who at any time throughout the year are in receipt of public assistance.

Before 1890 no distinction as to the age of paupers was made in the official returns. According to the Poor Law a difference of treatment might be made between the able-bodied and the non able-bodied. But there was no legal definition of the age at which a man might be presumed to have ceased to be able-bodied. Some unions took the age as 60 ; others as 65 ; others varied according to circumstances. But in that year figures were got out, known as Mr. Burt's Return, estimating the number of the poor over the age of 60 years of age and in receipt of relief on a given day. The figures exclude lunatics and vagrants, but include those who were in receipt of medical relief only. The inclusion of medical relief undoubtedly swells the numbers, particularly in the large towns where the good Poor Law infirmary accommodation attracted many who would not otherwise have been listed as paupers. And it is probable that the ages are not quite correct. It was known that the authorities were generally inclined to be more lenient in their treatment of the aged than of other

categories of applicants, and there was therefore a strong temptation to add a few years to one's age, particularly as it was difficult, if not impossible, to get records of birth. But there was, of course, a limit to this. The applicant must evidently have looked aged and infirm, even if his actual years were a little less than he said.

Burt's Return of those over 60 years of age and in Receipt of Relief on August 1, 1890

Ages.	Indoor.			Outdoor.			Combined Total.		
	M.	F.	Total.	M.	F.	Total.	M.	F.	Total.
80–	4,949	4,803	9,752	12,456	22,652	35,108	17,405	27,455	44,860
75–80	7,086	5,298	12,384	16,474	32,021	48,495	23,560	37,319	60,879
70–75	9,953	6,856	16,809	17,633	43,266	60,899	27,586	50,122	77,708
65–70	9,468	6,339	15,807	10,567	35,866	46,433	20,035	42,205	62,240
Total over 65	31,456	23,296	54,752	57,130	133,805	190,935	88,586	157,101	245,687
60–65	8,018	5,354	13,372	5,959	21,849	27,808	13,977	27,203	41,180
Total over 60	39,474	28,650	68,124	63,089	155,654	218,743	102,563	184,304	286,867

This shows how the number relieved increases with the higher age-groups, from 5·3 per cent in the 60–65 group to 30 per cent in the over 80 group.

Charles Booth, taking these figures as his basis and working on the detailed investigation of the relation between daily and annual pauperism he had made in five parishes, calculated the proportion of the population of different age-groups who during a year were in receipt of assistance. Here is his Table:

Ages.	Population.	Paupers–Lunatics Excluded.	Ratio to Population. Per cent.
Under 16 .	11,144,021	315,457	2·8
16–60 . .	15,722,273	591,796	3·8
60–65 . .	812,028	65,889	8·1
Over 65 . .	1,322,696	343,962	25·9
Total . .	29,001,018	1,317,104	4·5

On the motion of Mr. Ritchie, the House of Commons in 1892 ordered a return to be made of the ages of paupers during a period of twelve months. The return was pub-

lished in 1894, and confirmed the calculations already made by Burt and Booth. The result of all these investigations was to show that whereas the degree of pauperism of the whole population was less than 5 per cent, the proportion for those over 65 was 29·3 per cent. Even this general average concealed wide differences; for whereas the proportion for the age-group 60–65 was under 10 per cent, for 65–70 it was about 20 per cent, for 70–75 about 30 per cent, and for over 75 very nearly 40 per cent. Now about one-third of the whole community have that amount of economic security which lifts them above any need for public aid. So that for the remainder of the population the average was in fact much larger than these figures seem to show. Amongst the working class and small traders the proportion of those over 65 years of age who were in need of Poor Relief was probably not less than 40 per cent, and this proportion increased very rapidly with the higher age-groups.

The conclusion to be drawn from these figures was that, contrary to the common opinion, the principal cause of pauperism was, in fact, nothing more nor less than old age. To analyse the cause of a man's destitution is not a simple task; it requires a combination of shrewdness and sympathetic understanding. In only very exceptional circumstances can one specific factor be identified as the sole cause; almost invariably there are other contributing conditions. So many case-records show that drink and improvident marriages have characterised the lives of the distressed that one is tempted to ascribe the fact of destitution to these defects in personal character. It is true that a great deal of money is spent on drink, which if rigorously saved would have kept its owners in frugal comfort. But not all men who drink become destitute; drink alone, therefore, cannot be the sole cause of destitution, though no doubt the effects of prolonged unemployment or a serious illness are intensified by the previous waste on drink. Similarly early marriage in itself is not necessarily an economic disaster. The labourer earns his maximum wage fairly young and has then most chance

of regular employment; he is more able to bear the burden of supporting a family then than later. But if the father dies young, or has a serious accident, the size of the family is undoubtedly one factor in determining the extent of the ensuing poverty. So it might be that many of the old who became destitute had not always lived as carefully as they might; they might have drunk less, been more energetic, thought more of the future, had smaller families. But very many also were the victims of circumstance and misfortune beyond their control; and when disaster overcame them, in whatever form it took, they were finally beaten by their years. For the change in industrial technique was peculiarly cruel to the older men. When new processes were introduced it was the men already beginning to be elderly and fixed in their ways, who found most difficulty in adapting themselves. And so long as younger men were available employers were rarely willing to give the older men a chance to adjust themselves. In the country districts the old were better off. They kept their vigour longer and could often find odd jobs of gardening or agricultural work where changes in method occurred slowly. Food and rent were both cheaper than in the town, and often the old man could cultivate a small allotment to help support himself. Very often, too, a good deal was done for old servants who had been long in the employ of the same family. Even in the country districts, however, the lot of the aged was hard. But in the urban areas it was much worse. It was unusual for a man to be employed all his life by one firm, and when he was old there was none to feel an obligation towards him. Once unemployed he found it more and more difficult to get reabsorbed into regular work. It was fairly common for children to help by providing a home, but a regular allowance was rare. It was almost impossible for a working man, with his own young family to provide for, to spare much for an old parent. Old women could often find homes more easily than old men, because they could help in the house or in minding the children. But on the other hand, women were worse off financially, for as they usually were not

wage-earners, they had less opportunity of saving to provide themselves with an income in their old age. Thus about half of the working classes had to look forward to an old age in which, if they were not actually paupers, they would be on the verge of pauperism.

I do not doubt [said Charles Booth] that it is strictly possible for almost anyone who is at once sober and industrious and prudent, to lay by or make provision in some way for old age. With sufficient self-restraint and persistency of effort, pauperism may be avoided and independence secured; but, at best, for those who earn low wages, old age, when it comes will probably be a time of great difficulty. They will almost surely remain among the numbers of those who end their lives in poverty. To escape from this category a man must have very exceptional gifts. Such success could not possibly be the common lot of humanity.[1]

Attention was first called to the problem by Canon Blackley who, in November 1878, published an article in the *Nineteenth Century* called "National Insurance. A Cheap, Practical and Popular Means of Abolishing Poor Rates." He laid it down as a simple axiom with which nobody could disagree that to make reasonable provision against the infirmity of old age was the duty of every man gifted with the health and strength to earn a wage. It was a duty, which however, he maintained was grossly neglected by the working classes, who were improvident and wasteful during their youth, and depended on the rates when they were old. The wage-earner differs from the business or professional man in that the latter can expect to enjoy a larger income with the growth of his age and experience. The worker, on the contrary, gets his highest income when he is about 21 years old; for his wage-rate is then the same as the older man's, and his work probably more regular because of his strength and fitness. The young bachelor, however, does not think of the future when his domestic obligations will be heavy and his income no larger. He thoughtlessly spends all he gets, and later when the responsibility of maintaining a family has made

[1] C. Booth, *The Aged Poor*.

him more thoughtful, he has no surplus out of which to save for the future. The very fact that it is possible for the labourer to keep a wife and children on the same wage as he earned when a bachelor shows that young workers have a surplus. This, then, is the time when they should provide for the future. Friendly Societies, as Canon Blackley pointed out, did indeed exist for this purpose; and a large number of men subscribed to them. But the worker had no means of knowing the good from the bad. Many societies were so small that their administrative expenses were disproportionately large, and the premiums were more than a workman could afford. Many were hopelessly mismanaged, and through their insolvency the members forfeited the security for which they had sacrificed their earnings. He therefore suggested a scheme which would *compel* young workers between the ages of 18 and 21, when their necessities in relation to their wages were least, to insure themselves in a fund, the solvency of which would be guaranteed by the State. A premium of £15 paid during those three years would provide, he calculated, a benefit of 8*s*. a week during sickness, and a pension of 4*s*. a week from the age of 70 until death. The contributions could be collected by the Post Office. Employers, before engaging a young worker, would have to demand the certificate which showed that the payments had been completed, and if anything was owing they would have the duty of making a weekly deduction from the wages and paying it over to the fund. This little extra trouble would, he felt, be a small thing to ask of employers, who would find their poor rates halved when the sick and aged had thus made independent provision for themselves. He realised that to speak of compulsion would raise fears in the minds of his readers, who were imbued with the importance of maintaining the liberty of the individual. But he argued that complete liberty was an exploded myth. As long as there are Poor Laws the State compels the thrifty to look after the improvident. How much better it would be if the State instead compelled the improvident to look after themselves.

A few months after the publication of this article, which aroused considerable interest and discussion, a pamphlet was issued by R. P. Hookham of Islip, Oxfordshire, called *Outlines of a Scheme for Dealing with Pauperism.* It dealt with the same subject, but expounded a very different opinion. Hookham's knowledge was principally of the agricultural labourers, and it was from a study of their lives that he reached the conclusion that it was impossible for even the best-conducted amongst them to save sufficient for their maintenance in old age. That people were reckless and improvident he did not deny; but he insisted that the cause of their recklessness lay in their lack of hope. Their earnings were so small, and the calls on their earnings so great, that even a life of constant sacrifice could not ensure an honourable and independent old age. Why then should they deny themselves every shred of comfort and pleasure during their working lives, if despite their frugality they would be dependent on public assistance at the end?

> I speak with the conviction drawn from intercourse with the class [he wrote] when I say that it is to the depressing influence of the hopelessness of ever attaining to this most desirable and rightful state of independence, and of the certainty of being reduced ultimately to pauperism, that the improvidence so prevalent among the lower orders may be chiefly traced. . . . Give him hope and you have struck at the roots of his worst vice.

He put forward therefore, the bold and (for 1879) almost revolutionary proposal that the State should provide a pension for everybody in old age. To include all classes was important, because the pension must not bear the remotest resemblance to a charitable dole, and if it were not universal, there would be no means of knowing where to draw the line between those who should benefit and those who should not. It must be given irrespective of the income already enjoyed by the recipient, because, if savings were taken into account, workers were still in the same position. They had no reason to be provident since their savings could not be enough to maintain them and would simply go to the relief of the Poor Rates. But if the pension were

assured it would be worth while to sacrifice present pleasures for the sake of the added comfort in old age.

Already, then, from the outset of the discussion there were outlined the two rival policies of compulsory insurance and State pension which later marked the division amongst those who were anxious for some improvement in the condition of the aged. Although both these proposals were much debated it was more than a decade before the sympathy with the old that had thus been aroused had much effect on their treatment. It led finally to the appointment of a Royal Commission on the Aged Poor, under the chairmanship of Lord Aberdare, which published its report in 1895.

The investigations of the Commission showed that about one-third of those who reached the age of 65 became in part dependent on public assistance. How did the other two-thirds live? Some, of course, had been able to put by money in the Post Office Savings Bank and in co-operative and industrial societies. Others had invested their money in a less direct manner, in the education and start-in-life provided for their children, and they later reaped the reward in the affection and assistance their children gave them. One of the most popular methods of providing for the future was by the collective saving of the Friendly and Benefit Societies. The Commission found that there were about 7,000,000 members of registered societies, but a great many of these were insuring themselves only for burial money. The majority of the societies were local organisations managed by working men with the help of expert actuarial advice. A large number were in a bad financial position, largely on account of the fact that they had been started many years before,when the information with regard to expectation of life and incidence of sickness was inaccurate, and the tables on which the premiums and benefits were based were therefore faulty. Partly the insolvency was due to competition. New societies started, and in order to attract members promised more than they could perform, and forced the pace for the rest. The frequency with which societies were forced to suspend payments naturally retarded the development of the movement. Workers were

afraid of subscribing their scanty savings when so little security was afforded them. It was suggested by some witnesses that the State should undertake the task of investigating the affairs of the societies and guaranteeing the sound ones. But in justice to the tax-payer the State could hardly guarantee unless it exercised some control and the societies themselves were insistent on retaining their voluntary character.

In the majority of the societies there was no specific insurance for old age, and provision for this was made generally in the form of continuous sick pay. Two of the biggest societies, the Oddfellows and the Foresters, had indeed prepared tables, but very few people subscribed to them. The young had so many other emergencies in life that were more immediate than old age, that they were unwilling to put aside money specially for this purpose, and for the middle aged the premiums were too high. It was the inclusive contribution entitling the subscriber to a number of different benefits, including old age, which proved the most popular. And here there was the danger of offering more than the premiums warranted. Usually when a society started, the biggest proportion of members were young, or in the prime of life. Thus the big liability of old age was far off, and it was difficult to calculate the number of people who would still be members when they were old. Many of the trade unions organised superannuation funds, but here incapacity to work and length of membership, rather than age, were the tests. There was usually no separate fund for the pensions to the old; the contribution was part of the general subscription and went into the general fund of the union. Benefit was paid out of current income and depended on there being a surplus over industrial needs. If a strike or prolonged unemployment depleted the resources, the benefit to the superannuated perforce went by the board.

Yet insecure as most of the schemes were, the fact remains that very few members of Friendly Societies were in receipt of public assistance. Of 526,000 Foresters, for example, only 490 had applied for help in the preceding five years.

This, however, was inconclusive, for it was probably on the whole, the better-paid workers, those who were least likely ever to be in need of charitable or State help, who were attracted to the Friendly Societies. For membership of such a society demanded above all else regularity of payment, and only those who were in regular work and had a fair chance of remaining so would find it worth while to join. Again, there was considerable shifting of the population at this period, with the opening of new industries and the rapid development of new urban areas. But most of the societies were small local affairs, and a man felt little inclined to join a society when he knew that if his job necessitated removal to another district all his contributions would be thrown away. So that the mass of the population, and, in particular, those whose irregular incomes gave least chance of making adequate provision for old age were unlikely ever to be seriously affected by the Friendly Societies.

The State had tried to get over these difficulties by providing Post Office Annuities under the authority of the Government Annuities Act of 1882. Owing to the opposition of the commercial insurance companies, who feared that any general non-profit-making State scheme would seriously interfere with their business, provision was made only for the small subscriber. A lump sum not exceeding £100 could be insured, or an annuity of a corresponding amount could be purchased by anybody over the age of 5, and as it was often irksome to pay a small weekly amount over a long period this might be compounded into one premium. Very little business, however, was done in these annuities. The explanation was partly that the Government took little trouble to bring them to the notice of potential purchasers, partly that the charges were fairly high, and partly that they necessitated the filling-in of complicated forms. But the principal lack of success was undoubtedly due to people's unwillingness to lay aside a lump sum for a benefit that seemed so remote, at the age at which the purchase had to be made. The available surplus in a worker's income was so pitifully small, and the

claims on it so numerous, that it must often have seemed the height of selfishness to put aside for this use a sum of money with which so much could immediately be done. Most people who had any savings preferred to invest in something material and tangible, such as a house or durable furniture; something which they could sell if bad times came, or which they could have the pleasure of leaving to their children when they died.

Apart from the funds raised by members either individually or collectively, there were certain charitable endowments to provide almshouses and pensions for the aged deserving poor. According to the Charity Commissioners about £550,000 a year was spent in this way. But the funds were not always administered by the trustees to the greatest advantage. Even where there was an investigation of applications, there was a temptation to give to friends rather than to the neediest or most deserving cases. And very often indeed the enquiries were of the most perfunctory and inefficient type. In a badly-organised charity it was cheap sentiment that was the rule. A dirty, thriftless scoundrel who could pour out an eloquent tale of distress received the help that should have been given to those in greater need, but whose success in keeping the home neat and tidy made them appear to have other means.

Yet despite the work of the Friendly Societies and of charity, the serious fact remained, that one-third of the aged were forced to depend on Public Assistance, and it was on this group that attention was chiefly concentrated.

When the Poor Law Amendment Act of 1834 tried to prevent the wholesale pauperisation of the population by making the lot of the pauper as disagreeable as possible, it recognised that there were some classes in the community whom no amount of deterrent treatment would make independent. People who were old and infirm could not provide for themselves, however sharp the goad, and from the beginning of the new régime, therefore, Guardians were permitted to give out-relief to these persons. There was, however, no *compulsion* on the Guardians to relieve the old outside the workhouses; the choice was left to the dis-

cretion of the local Boards, the Central authority deliberately refraining from issuing any general regulations. The practice, in fact, varied greatly from one district to another. In London it was more usual than elsewhere to give relief only in the workhouse, probably because from the establishment of the Metropolitan Common Poor Fund in 1867 the cost of institutional relief was met partly from the Common Fund, whereas the burden of out-relief fell entirely on the union. The percentage of those over 65 years of age relieved in workhouses in London was 59·3 per cent as compared with 24 per cent for all England and Wales. For districts other than London out-relief was customary, unless the circumstances of the applicant made it inadvisable. It was useless to give a few shillings a week to an old man or woman who had no relations or friends with whom to live, and who was too feeble or bedridden to be able to look after himself. Many Guardians, too, refused outside assistance if the cottage in which the applicant was living was too insanitary for health, or if the habits of the old person were known to be bad. There was not much point in giving a sum of money to a man who went straightway to the public house and drank his allowance to the last farthing. He would turn up again the next day as destitute as before. There was another reason for refusing out-relief, more open to objection than these. By law, parents, grandparents and children (if of sufficient ability) were liable to the support of their relatives. The proposal to offer only workhouse relief was often the easiest way of inducing those who wanted to evade their duty to come to the help of the distressed member of their family, for the sense of shame at the neighbours' knowledge that a member of the family was a pauper, was a very real thing. But sometimes a further step was taken; and the offer of " the House " was used as a lever to persuade relations and friends, who were not legally liable, to offer a home and allowance to an old person, so as to avert the disgrace of having a member of the family in the workhouse. This practice had largely extended under the influence of Sir Henry Longley, an able Poor Law official during the last

quarter of the nineteenth century, who argued that a rigid policy of offering only indoor relief would both stimulate the individual to make provision for himself and foster the spirit of solidarity amongst the rest of the family. Such rigidity would undoubtedly, it was realised, result in numbers of hard cases, if public assistance were the only source from which help might be forthcoming. But the decent, provident man who had been prevented by misfortune beyond his control from ensuring his independence, and who had no kin to whom he might appeal, was considered a fit subject for charity. And to intelligently-directed charitable administration, such as that of the Charity Organisation Society, such a person, it was thought, might reasonably be left. Thus, in fact, there would come to the workhouse only the undeserving, who had no claim to expect anything more lenient.

Discrimination between indoor and outdoor relief, based on such principles as those outlined, demands careful investigation of the circumstances of every individual applicant. The number of officers appointed to do this work was almost invariably inadequate, and there was little knowledge of the circumstances of the applicant before relief was granted, and practically none of the way in which he managed on the money given. The Boards of Guardians were unwilling to give sufficient time to the consideration of the cases: one Board got through an average of 200 cases in under two hours, which meant that practically invariably the recommendations of the Relieving Officers were accepted without discussion. But the officers themselves were overworked. It was common to get through 90 to 100 visits in one day.[1] There were naturally many complaints about the treatment meted out by the Relieving Officers to those assisted. It was said that they were unnecessarily harsh and dictatorial in their manner, that they often kept the applicants waiting a long time in the cold for their allowance, and so on. It is difficult to judge of the truth of these criticisms. Officials were overworked and harassed, and continually soured by the frequency with

[1] *Royal Commission on Aged Poor*, p. xx.

which they came into contact with impostors, who swore they were completely destitute when, in fact, they had other means. With no time to scrutinize the declarations, the Officers took the obvious course of assuming that everybody was probably lying. Unable to discover if there were any other sources of livelihood, they acted on the assumption that every applicant had hidden resources, and reduced the out-relief accordingly. The sums given varied from district to district; in some the maximum was 2*s.* 6*d.*, or 3*s.* or 4*s.* a week. It resolved itself, in practice, into a bargain between the old person and the Relieving Officer as to the smallest sum the applicant would take to live outside the workhouse. As these sums were totally inadequate to support anyone who was destitute, application to charity had still to be made, and there was thus endless overlapping.

Small as were the allowances made, there was no doubt as to the preference of the poor for out-relief rather than the workhouse. Where institutions are maintained by hundreds of separate local bodies it is difficult to make generalisations that are universally true. But there are certain characteristics which are common to institutions as such, and these went far to explain the fear of "the House" which was universal amongst the poor. Almost everywhere a strict routine was considered essential to proper and economical administration, and old people find it hard to adjust themselves to such a life after so many years of a less-regulated existence. The food was often badly cooked and badly served; but even when it was neither, it was not the kind to which they were used, nor could much notice be taken of individual idiosyncrasies. There was rarely much liberty allowed to inmates to go out, or for friends to come and talk with them without supervision. There was usually only one large room in which all sat together during the day, and the presence there of foul-mouthed or noisy people with objectionable personal habits might cause untold misery to others. By law, married couples, if both were over 60, had the right to live together if they wished, and if one partner was

over 60 the Guardians might give them permission to do so. A great many old people had no idea of this right, and dreaded the enforced separation from the one person who was still their link with the outside world, who shared common memories, and to whom they were still individual persons, and not simply inmates of a communal institution.

On the other hand, if married couples did live together, their isolation had its disadvantages. Two old people may be very good companions for one another when they are living in the midst of a busy neighbourhood. There are all the little happenings of the street, and the affairs of relatives and friends to serve as the subjects of conversation. There are little neighbourly acts to be performed, of minding the baby, or sitting by the bedside of the sick; and this routine keeps them in touch with life and occupies their thoughts and their leisure. But the same two old people living alone together outside these contacts are in very different case. They have nothing to do, nothing to talk about. Small eccentricities that in normal life would be unnoticed or unminded fret and jar the companion's nerves, until the nervous strain of being constantly in each other's company becomes almost more than they can bear. The position of the isolated married couples was in this respect only a slight exaggeration of that of the aged in workhouses generally. More than any other one factor—the badly-cooked food, the lack of liberty, the constant supervision of tiny details of life—it was the constant depressing monotony of existence in the workhouse which made life there so intolerable.

One cannot be conducted over even the best-managed workhouse in England [said Booth], seeing everything in the most favourable way and in the best possible order, without a feeling of utter depression; so monotonous is the existence; so essentially comfortless; so often unrelieved by pleasant human relationships. The large rooms are scientifically ventilated and carefully warmed; cleanliness is carried to perfection; wholesome food is supplied in ample quantities, and clothing is sufficient and good of its kind. But what old person who has been accustomed to a genuine home, however poor, would not shrink from such a life? Getting up and lying down to a bell, and expected

to partake (like hungry schoolboys) of regular meals at regular hours, based upon a dietary scale. In practice no other system is possible, and when the very best that can be done has been done, the Workhouse remains unattractive. . . . Thus without being inhuman bastilles, they are dreary and objectionable places of abode, and even though under popular management a good deal more should come to be done for the comfort of the old, it is improbable that the prejudice against the House will break down. It is based far more on love of liberty and " the little things we care about " than on well-being as measured in bread and meat and clean clothing. Degrees of heat, fahrenheit, do not replace the chimney corner and the glowing fire, nor the resources of the sick ward make up for the absence of familiar faces.[1]

When the Royal Commission came to discuss proposals for alleviating the lot of the aged, they found that the suggestions made were all in some sense variants of the rival schemes that had fifteen years earlier been put forward by Canon Blackley and Hookham—universal insurance or a State pension. In fact, two of the members of the Commission itself, Joseph Chamberlain and Charles Booth, had each already come forward in their public support of one of the two methods.

Against Canon Blackley's proposal certain very real objections could be brought. His original plan had been for a comprehensive insurance against sickness and old age, but actuarial considerations induced him to limit it to the latter eventuality. His suggestion was that every young man and woman be compelled to contribute, between the ages of 18 and 21, a sum of £10 to a State-secured fund, from which he would receive a pension of 4*s*. a week at the age of 70. But compulsion could not be justified unless it was made universal, and no means could be devised for collecting the premiums from people not in employment. The principal difficulty was with women. A very large number of women were wage-earners before they married, but their wages were extremely low and to save such a large amount in so few years was quite beyond them. A very considerable number were not in paid occupations at all; they helped their fathers or husbands or did domestic

[1] Booth, *The Aged Poor*.

work in the home, and from these there was no chance at all of collecting such a sum. The State, too, might find itself in difficulties as a result of guaranteeing the fund. Nobody could foretell interest rates for a long period, and if rates fell, the country would have to bear the burden of its guarantee or reduce benefits, and abolish the element of security which was its *raison d'être*. Even had the scheme been practicable from the financial point of view, it did not solve the immediate problem. For it would be another forty years before the first persons would be able to claim a pension.

Joseph Chamberlain, who was at this time still a staunch Radical, had during his civic experience in Birmingham realised the mass of misery amongst the older section of the working class, and felt that some solution of this problem was of vital importance. His interest in the subject had resulted in the formation in the House of Commons of a voluntary committee composed of about eighty members, who met to attempt the formulation of some practicable scheme. The results of their discussion were presented to the Commission by Chamberlain in his evidence before them. He explained that there were two reasons for their interest in the matter. In the first place, it was generally felt that it was a blot on our civilisation that such a very large number of people who led ordinarily respectable, provident and industrious lives should be forced to become paupers in their old age. And secondly, if the old could be removed from the scope of the Poor Law, it would be possible to have a much more stringent administration in respect of those who had not the excuse of the burden of their years to justify their dependent condition. He suggested, then, that it was necessary to help make some provision for old age, but to do it in such a way as to strengthen, rather than to weaken the virtues of thrift and self-help. He proposed that the State should organise a Pension Fund, out of which it should subsidise those making voluntary provision for themselves. Three different categories were defined. A pension of 5*s*. a week at the age of 65 might be insured by paying a lump sum of £2 10*s*. before the

25th birthday and an annual premium of 10s. a year thereafter, to which the State would add a sum of £10. Or the same benefit, with the addition of provision for the widow and children if the man died before he reached 65 years, might be secured by payment of a deposit of £5, and an annual premium of £1, the State gift being £15. In both these schemes the administration could be carried on through the Post Office, or it might be conducted by the Local Authorities.

It was foreseen that the Friendly Societies would object to this competition with their activities, and in order to secure their co-operation there was a third alternative. Any person insuring himself with a Friendly Society for a stated amount would have his pension doubled by the State at the age of 65.

There were many who supported these schemes enthusiastically. The benefits offered, it was thought, would attract young workers; the deposits were not beyond their power, and the need to make this saving would induce thrift and prevent early marriages. But further consideration revealed some serious difficulties. Such a scheme would not touch the class most likely to be in need of help in old age. Those with low or irregular wages could find neither the deposit nor the annual premium, and to give a State subsidy to the others would mean that the State was assisting the better-off, out of national funds raised, partly, from taxing those poorer than the beneficiaries. Women could gain no benefit from it. Only a small percentage were in receipt of money incomes throughout their lives, and their husbands and fathers could not afford to pay the contribution in respect both of themselves and of their womenkind. From the financial point of view, the State would find it difficult to provide, for the cost would depend on the number taking advantage of the offers, and estimates of the annual cost varying from £300,000 to £5,000,000 were made. In the third category the relations of the State and the Friendly Societies would present difficult problems. Chamberlain insisted that the State's contract would be with the individual and not with the

Society. It would be the responsibility of the worker to find a solvent society and keep up his payments. Only when he reached the age at which he could claim the subsidy should the State step in. But there was much force in the criticism that the individual entered the Friendly Society only because of the inducement held out by the State and that the State should therefore guarantee the security of the fund. Indeed so much suffering was caused by the insolvency of societies that it might be well for the State to have some control over Superannuation funds. But to any measure of State control the Societies themselves were strongly opposed. Finally the Chamberlain scheme showed the disadvantage of the Blackley one—that the first benefits of it could not be felt until after forty years.

The only possible solution to all these difficulties was, according to Charles Booth, to take the drastic step of offering a State pension of 5*s*. a week to everybody who wished to claim it at the age of 65, irrespective of need or merit. Only in this way, he argued, could the provision for old age be rid of the taint of pauperism. Such a revolutionary proposal was met by a storm of criticism. The cost would be prohibitive; the rich would hesitate to claim the pension, on the ground that they were robbing the poor, and there would thus still remain the distinction between the classes and the masses. The incentive to thrift in earlier life would be seriously weakened and the sense of responsibility to old members of the family destroyed; yet the pension by itself was inadequate, and, with no further provision, poverty would still be a big problem. For the State to undertake such a large part of the individual's responsibility would lead to other impoverished classes looking confidently to the State for help, instead of trying to get out of their own difficulties. It was wrong that the thriftless and undeserving should not be made to suffer for their misdeeds. Finally, State help remains State help whatever the name it goes by. Pauperism remains whether the gift is called a pension or out-relief. Why, then, not discriminate in the manner of the gift between the deserving and the undeserving.

To all these criticisms Booth found a reply. The distinction between a pension and out-relief is vital, although in both instances the money comes from public funds. Out-relief is granted to the destitute; it involves selection and enquiry. And the loss of dignity and self-respect which they entail makes the sensitive person ready to starve slowly, rather than submit to them. To judge between the deserving and the undeserving is even more difficult than selection according to need. Who can judge how far poverty is the result of misdoing? Discrimination in this respect can take account only of the economic virtues, but a man may be a bad saver and yet a good father and citizen. It is unfortunately true that under a pension scheme the good may have to support the bad; but this is the rule of life. Unless the community is ready to steel its heart against all suffering and allow men to die unless their own efforts can save them, there must always be the chance, as in fact is the case with out-relief, that the immoral and thriftless will be maintained by the moral and provident.

In the effect of a pension on thrift and self-help Booth thought his critics unduly pessimistic. He appealed to them to analyse their own motives for saving and to consider how many other causes for thrift they had, than simply provision for their old age. Even with the poor, he assured them, the reasons for providence were rarely to provide an income when superannuated. Much more important was the desire for a little nest-egg as a security against sickness or unforeseen disaster, or the ambition to help one's children or to have a little to leave to those dear to them. A pension of 5*s*. a week could not provide comfort. But it gave just that element of security, that basis for further effort which made it worth while to struggle to put aside something to add to it. The certainty of a minimum provision in old age would, by giving the poor hope, stimulate small savings rather than discourage them. The cost of the scheme was probably its most serious defect; for England and Wales it was computed to be £18,000,000 a year. On the other hand there would be a saving in Poor Law expenditure of about £2,000,000.

The discussion of these schemes left the Royal Commission so divided as to produce not only a Majority and a Minority Report but many additional memoranda by individual signatories. Several members, in particular C. S. Loch and Octavia Hill of the Charity Organisation Society, expressed the view that destitution was much exaggerated; and that the amelioration of what existed was a matter for the poor themselves. Any direct aid from the State, whether in the form of a subsidy to an insurance fund, or a pension, would undermine character. Pauperism was on the decrease except where the Poor Law was laxly administered, and people needed to be thrown more on their own resources and to have completely self-supporting and independent schemes set before them so as to develop the spirit of self-help.

At the other extreme was the report of the Labour representative, Henry Broadhurst, M.P., who urged that the case could not be met by any alteration in the Poor Law, or more charity on the part of the well-to-do, or any scheme of voluntary or compulsory insurance. For the unskilled labourer, wise thrift consisted in spending on food and clothing for himself and his children, and the cost of providing for his old age must be frankly faced by the community, as a charge to be borne by public funds.

The Majority Report was vague and inconclusive, and made no definite proposals except to urge that when Boards of Guardians gave out-relief the amount should be adequate. The Minority Report, which was signed amongst others by Booth and Chamberlain, regretted the unjustifiable optimism and lack of constructive suggestions of the Majority. They urged that the investigation had shown that there existed a real problem which must be faced. The membership of the Commission was, in their view, too numerous to make constructive proposals, and consisted of too many persons already publicly associated with particular policies. They recommended that there should be appointed a smaller body of experts to consider the schemes put forward from the technical, financial and social standpoints.

The Committee of Experts was duly appointed under the

Chairmanship of Lord Rothschild, " to consider any schemes for encouraging the industrial population by State aid or otherwise to make provision for old age." [1] The terms of reference were so worded that the Committee considered itself precluded from considering any schemes that were based on compulsion, or confined entirely to members of Friendly Societies, or which required no provision to be made by the beneficiaries themselves. It examined more than a hundred schemes submitted to it, variations on the earlier suggestions of Blackley and Chamberlain, which involved State grants to voluntarily insured persons. But it could find no way out of the difficulties associated with such schemes and was unable to make any definite recommendations. The report ended on an optimistic note. People seemed to be getting better-off ; more were providing for themselves ; and the problem might soon diminish in importance. Only one dissentient voice was raised on the Committee. Spencer Walpole wrote an additional memorandum deploring the unjustifiably optimistic tone of the Report, and insisting that a situation in which one out of two working people need help in old age requires some improvement before it can be dismissed as of no account. Deferred annuities, State-aided or otherwise, were unpopular, and rightly so ; there were many more advantageous methods of saving small surpluses. A new conception of the Poor Law might offer a way out of the difficulty. The use of State funds for helping others than the destitute was a part of all the schemes which were based on subsidised insurance, and the principle of such an application of public money was already widely accepted. Why, then, should not the Guardians be allowed to discriminate in their treatment of the able-bodied and the aged, and be permitted to grant to the latter weekly out-relief without loss of civil rights, even if the old person was not destitute, but had some provision for himself ?

Although the results of these enquiries were negative in so far as legislation was concerned, they had considerable influence on the official attitude to the problem. The wide-

[1] C. 8911/1898.

spread public opinion that life should be made easier for the aged, and that they should be helped by agencies other than the Poor Law, made the treatment meted to them inside the Poor Law much more lenient than it had hitherto been. In 1895, and again in 1896, the Local Government Board issued lengthy circulars based on the recommendations of the Aberdare Commission, suggesting the principles which Boards of Guardians should accept as the basis of their treatment of the aged. They urged that there was no need for the Guardians to make the relief to the aged in any sense deterrent. Adequate out-relief should be given to the deserving, unless there were strong reasons (such as physical or mental infirmity) for institutional treatment. And life in the workhouses should be made more pleasant for the aged inmates. Meal- and bed-times should not be fixed and uniform, but left to the discretion of the Master and Matron; no distinctive dress should be imposed; sleeping cubicles might be provided in place of large wards; the well-behaved should be permitted to go out and visit friends or receive friends as they wished; and the Matron might give them small indulgences such as a ration of tea to be brewed by themselves, or allowances of snuff and tobacco.

But whilst the Local Government Board might reiterate these instructions, and might, by repeated enquiries as to what had been accomplished, attempt to lead the local authorities in this direction, it had no power to compel them to follow its lead; and indeed, only a very few of the Boar[illegible] of Guardians did so. The enquiries made by the R[illegible]ty Commission on the Poor Laws in 1905 showed the [illegible]emes divergence in treatment from one locality to [illegible]ust be Only about twenty Boards of Guardians had a [illegible]emselves official policy of the Local Government Board; prove that areas usually admirable provision was made [illegible]ovident life, though even here the more lenient treatm[illegible] and not have subject to quite arbitrary modifications. period. There some authorities demanded the qualificatio[illegible] pension given the locality for at least twenty years, according to the relations "morally bound" to help, [illegible]ns were granted liable. Such Boards generally gave [illegible] so as to enable the

to the deserving who were able to look after themselves, or could find someone with whom to make a home. For those for whom institutional treatment was necessary, either because of infirmity or because they had nobody to live with, special buildings were provided apart from the general workhouse. Or sometimes small cottages, each holding two persons, were built. Except that the recipients still ranked as paupers, there was little wrong with such treatment. They had freedom to come and go as they wished, or receive their friends in their room. Dinner was mostly taken in common, but other meals could be cooked on their own fires, if they desired to do so. No work was demanded of them, but congenial employment was provided for those who wished to break the monotony of existence. In some workhouses the aged population was classified according to behaviour, and given different degrees of freedom and comfort according to merit.

But only in very few instances was such care taken to make the lives of the old tolerable. The majority of the workhouses did indeed keep the old alive, but in circumstances of unalleviated discomfort, ugliness, over-crowding and monotony. So soulless was the administration of many that the Majority Report of the Poor Law Commission describes them as " human warehouses." For many lonely old men and women of respectability and moral refinement, the promiscuity of such houses, where they were forced to live in the constant companionship of others who were dissolute and vicious, was an unremitting anguish. It was their dread of it that in order to escape this they would strain every nerve and submit to some-was nearly starvation. Even where out-relief was totally inadequate. Two shillings, or week, with a loaf, was the usual allowance, ated adjurations of the Local Government e out-relief was offered at all, it must be

Although the resu tion of the amount was sometimes prac-so far as legislation w nary measure. If the relieving officer influence on the official ecipient's character, and suspected, for k, the allowance was further reduced.

It would be difficult to find a more stupid practice. A case that was unsuitable for out-relief was not made less so by reducing the amount of the relief. Moreover, it failed of its purpose; for the idle drunkard supplemented his truncated dole by begging, while the respectable poor slowly starved. In fact, with the exception of the small minority of authorities who had followed the official instructions, the treatment of the aged was "too bad for the good and too good for the bad."

A number of Bills were introduced into the House, but without much success; the stumbling-block came always at the same point. There was a general desire to mitigate the privations of those old people who had lived thrifty, self-respecting and industrious lives; but any general scheme must, of necessity, include many who could not be included in this category. To reward their dissolute lives by grants of public money was unjustifiable in itself and might have a bad influence on the young. There arose then the question as to how far it might be possible to discriminate between the applicants for help and separate the deserving from the others. For this purpose the Chaplin Committee was appointed in 1899 "to consider and report upon the best means of improving the conditions of the Aged Deserving Poor."[1] Their main concern was to examine those charitable pension funds in which an attempt was made to discriminate between applicants according to their moral worth. Sir Henry Longley, the Chief Charity Commissioner, gave evidence of the pensions schemes administered under his authority. Applicants must be poor, entirely or in part unable to maintain themselves because of old age, ill-health or accident, able to prove that they had led a reasonably industrious and provident life, have been resident in the parish for five years, and not have been in receipt of Poor Relief during that period. There was generally no precise age-limit, and the pension given varied within a minimum and maximum according to the circumstances of the individual. Pensions were granted for a period of only three years at a time, so as to enable the

[1] Cd. 4499/1909.

Trustees to review the situation. With careful initial investigation and constant renewal of enquiry no difficulty was experienced in discriminating between the deserving and the others. Similar evidence was given by the Secretary of the Wells and Camden Charity of Hampstead which promised an additional pension to those who gave evidence of thrift by having an income of at least 5*s*. from other sources.

The evidence of these two witnesses exercised great influence over the Committee. The Aberdare and Rothschild Reports had both said it was impossible to go into the past history and character of applicants, and had therefore been unable to make any positive recommendations. But if such discrimination was already being made with success by charitable organisations, why could it not be done on a larger scale by the State? The Chaplin Committee thus devised a scheme for giving pensions to those who were in need and could prove that they had endeavoured to the best of their ability and with reasonable industry to provide for themselves. The cost of such a scheme could not be accurately calculated, because the expectation of life was increasing and there was no precise knowledge of the number who could prove their claim. But the following estimate was made for England and Wales.

Pension Age 65		*Pension Age 70*	
1901	£7,550,000	1901	£4,200,000
1911	£9,600,000	1911	£5,450,000
1921	£12,300,000	1921	£7,300,000

Pension Age 75

1901	£2,050,000
1911	£2,700,000
1921	£3,750,000

Meanwhile, however, an agitation in favour of more lenient treatment was beginning to gather force. The growing sense of uneasiness at the mass of misery which the official enquiries had revealed among old age had its first organised expression at a meeting held at the Browning Settlement, in South-East London, in 1898. News had just been received that the New Zealand Government had adopted an Act entitling persons of 65 years and over to

claim a pension of seven shillings a week. F. H. Stead, the Warden of the Settlement, immediately wrote to W. Pember Reeves, former Minister of Labour, and then Agent-General for New Zealand, asking him to address a meeting on the subject. So much interest was evidenced at this meeting that Stead decided to organise a conference to discuss the possibility of England's following her Dominion's lead. It had been intended at first that the conference should consist of representatives of local organisations, but the fact that so many representatives from other towns also attended is evidence of the extent to which this question was troubling men's minds. Those present were representatives of Trade Unions, Friendly Societies and Co-operative Societies, and to this audience Booth broached the scheme for old age pensions. The meeting, unexpectedly, was enthusiastically in agreement with him, and this was the signal for a series of representative conferences of a similar type all over the country, and for the creation of a National Pensions Committee to carry on propaganda work in favour of pensions. A quite remarkable degree of unanimity was discovered. As a result of a resolution passed by the Trades Union Congress a Conference in the Memorial Hall was jointly held in 1902 by the Trade Unions and Co-operative Societies, with delegates from the Trade Councils and Friendly Societies; and this conference demanded by large majorities that a scheme of universal, non-contributory old age pensions be instituted, the money to be collected by taxation. In the same year the National Conference of Friendly Societies passed a resolution expressing the opinion,

> that it is the duty of the State to provide an old age pension of 5*s*. a week to all thrifty and deserving persons of 65 years of age and upwards, who are unable to work and in need of the same and that such a scheme shall place no disability of citizenship upon the person claiming the pension.

At the same time, the Church Congresses, which do not pass resolutions, listened with approval to expositions of old age pension schemes. The Fabian Society published a tract contending that universal State pensions were the only

solution to the problem. Voluntary methods, it argued, had failed not because of any lack of foresight, independence or good will on the part of the poor, but because of the unduly harsh pressure of disadvantageous economic circumstances. " Independence will be fostered rather than diminished by the removal of economic disabilities that now cripple a workman during his active life, and make the thought of his last years one of harassing dread."

But these opinions, whilst popular, were not without serious and powerful critics. In particular, the Charity Organisation Society maintained its rôle of supporter of the spirit of self-reliance and individual responsibility. In a pamphlet published in 1903 it severely criticised the report of the Chaplin Committee. The Aberdare Commission and the Rothschild Committee after deliberations extending in each instance over two years had rejected all the schemes put forward. The Chaplin Committee, after only three months' consideration, professed to have met all objections. That it could do so was due, the Society contended, to the fact that the Committee was composed largely of men who had already publicly committed themselves to support old age pensions, but who had no special knowledge of the administration of the Poor Laws or of Friendly Societies to enable them to assess the difficulties of the proposal. Against universal pensions, they argued, the case was unanswerable. The cost would be both prohibitive now, and increasing for the future, with the growing expectation of longer lives, yet it could not materially reduce the expenditure on workhouses. Nothing could prevent a pensioner spending all on the first day and demanding help for the rest of the week as a destitute person. And many were too old and infirm to live alone outside " the House," even with a pension. It would cause a complete change in social relations. No longer would friends and relatives feel themselves morally responsible for the aged. Friendly societies and thrift institutions would be ruined, for the establishment of State pensions must mean the definite abandonment of the hope that the poor would ever provide for their own old age. The supporters of the scheme argued that 5*s*. a

week was only a basis for self-help and not an adequate income; but experience showed that where personal effort was the chief factor in a situation, a grant towards a deficit weakened the effort and led always to the need for a larger and larger grant.

They had little more faith in partial schemes of State help, through subsidies to the Friendly Societies; since no such scheme could touch the many classes most in need of help, and women in particular would be unprovided for. Nor would it be sound finance to have a Government subsidy without some State control of the Friendly Societies; and this would be fatal to such organisations.

The Chaplin Committee had recommended that a man who, "to the best of his ability", had endeavoured to provide for himself should receive a pension, but the difficulties inherent in a test which was not capable of exact definition were such that these limitations could not long expect to survive, and such a step would soon lead to the grant of pensions as of right. "This want of finality is the point upon which those who regard with apprehension any departure from the established principles of State relief must strongly insist" was their conclusion.

In general the attitude of the Society was well expressed by one of its influential members, Mrs. Bosanquet, who, in her book *The Strength of the People* [1] published at this time, voiced the conviction that matters were certain to improve, provided the State could resist the temptation to pass unwise legislation. The knowledge of the workers during the nineteenth century that they had none to look to but themselves, had given an immense stimulus to thrift and self-help; and the greater care now taken in the training of the young would make it easier for them to make provision for themselves. She asserted that most workers were quite able to save for their old age if they wanted to. One of the best of such investments was in a man's own family. Those who took care to look after their children well and train them properly, would find their children both able and willing to support them later. Outside help weakened this

[1] 1907.

family tie and destroyed the strength of the people. For the unfortunate "hard cases" wise charity was the best treatment, charity which examined the individual's case and which allocated to those of good character and sober habits an adequate pension out of funds raised, not from outsiders, but from those with a personal interest in the recipient—relations, employers, the church and so on.

But whilst, in spite of such adverse criticisms, popular support for the measure was rapidly growing, other more exciting and sensational topics were taking the front of the political stage. Joseph Chamberlain had abandoned his campaign for social reform in order to preach Imperialism and a closer welding of economic bonds between the various parts of the Empire; and the long-held supremacy of the Unionist Party was being threatened by the consequent dissension in its own ranks. The Taff Vale Decision of 1902 established, to the surprise of the workers, that trade unions were financially liable for actions done by their individual members in the furtherance of trade disputes; and the Government by making no move to revise this decision found the whole body of organised labour roused against it. The election of 1906, fought mainly on these two issues, resulted in an overwhelming victory for the Liberals pledged to social reform and saw the emergence of Labour for the first time as a political force to be reckoned with. The introduction of an Old Age Pensions Bill followed in 1908. The Bill, which was introduced by Mr. Asquith, provided for a pension of 5*s*. a week at the age of 70 to those who had been resident for the previous twenty years in the United Kingdom, had an income less than £31 10*s*. a year, and were not in receipt of poor relief other than medical relief. An applicant was to be disqualified if he had habitually failed to work according to his ability, opportunity and need; but if he could show that in his earlier years, i.e. from the age of ten continuously up to the age of sixty he had contributed to a Friendly Society or Trade Union, or otherwise made provision against sickness or old age or unemployment, his claim could be granted. The debate showed that there were very few who were prepared to

oppose the principle of old age pensions, but considerable difference of opinion as to the methods of providing them. The Labour Party, through George Barnes, condemned the discriminating clauses as inquisitorial and unjust, but were prepared to accept the Bill as a step towards something better. The only effective opposition came from such supporters of the old economic individualism as Mr. Harold Cox, who spoke strongly against any non-contributory scheme, on the grounds that it was wrong for the State to give gratuitous favours to particular individuals. But in a clear, concise and masterly summing-up on the Second Reading, Asquith pointed out once more the insuperable obstacles to a contributory scheme and the Bill passed its Third Reading by 315 votes to 10.

In the country the Bill was welcomed by radical opinion as a just example of the new conception of poverty and pauperism. It recognised that inability to get decent provision throughout life may indeed be due to some failure on the part of the individual, such as idleness, immorality or crime, and that this constitutes the problem of pauperism and requires restrictive or semi-penal treatment. But it recognised too that it may also be due to a failure in the economic organisation of society, and that this constitutes the problem of poverty, a social evil which can be cured only by some change in society. *The Nation* hailed the Bill as "a memorable, an epoch-making advance in social well-being" [1] and hoped it would lead to further similar reforms. "The nation has made up its mind to a fuller responsibility for the condition of the poor, and it is not the aged poor alone who will benefit by the new spirit."

It was this very possibility which roused the greatest fear in the hearts of the Individualists. The Charity Organisation Society wrote to *The Times* protesting against the Bill, both because it was bad in itself and the root of further mischief.[2]

If personal responsibility can be abolished without fear of a disastrous relaxation of economic discipline, there is no intelligible reason for confining this principle to the treatment of old age.

[1] *The Nation*, July 11, 1908.

[2] *The Times*, June 2, 1908.

There are many other risks of life to which the same measure must logically be applied, and without doubt an irresistible agitation will be set on foot to increase the amounts and multiply the occasions on which public money must be expended. If because it may be difficult for a poor man to maintain his independence in this or any other vicissitude of life, we are therefore to withdraw the whole series of life's obligations as at present understood from the individual, or to make the State responsible for their discharge, the whole training ground on which men have hitherto been forced to acquire habits of economic competence is closed, and a momentous change in the discipline and education of the nation must follow.

The Liberty and Property Defence League stigmatised the proposal as the beginning of Communism and drew a dire picture of the future when " the streets of our towns and villages would be swarming with vigorous old men whom the State had taken away from honest toil to become loafers at the expense of the community." [1] *The Spectator* headed its article on Asquith's speech—" A Plan to Discourage the Working Classes from Making Adequate Provision for Old Age," [2] and urged the Lords to throw out the Bill so that the matter could receive further and more deliberate consideration. The Lords would have been only too ready to comply ; they thought that overdue haste was being shown in rushing through so revolutionary a measure, and that a decision should be postponed until the Royal Commission on the Poor Laws appointed in 1905 had had time to publish its report, reviewing the problems of poverty as a whole. The Earl of Rosebery declared that the Bill was the most significant and momentous that had come before the House during his forty years of membership, and the most dangerous. He believed the moment for this reform ill-advised ; he would have preferred the vast sums required for it to be spent on national defence. But what use was it, he asked, to oppose a measure that had passed the Commons almost unanimously ? He counselled his brother peers to let it through ; and the Bill received the Royal Assent on August 1, 1908.

[1] F. Millar, Organising Secretary of Liberty and Property Defence League, in *Pro and Con*.
[2] *The Spectator*, May 9, 1908.

Lord Rosebery's estimate of the epoch-making nature of this Act was a true one. For the first time the State was prepared to make grants from public funds to needy individuals without attaching any civil disability or moral approbrium thereto. The importance of this innovation was two-fold. It implied, firstly, the recognition that all was not well with the contemporary social organisation; that economic rewards could not be considered a just measure of individual merit; and that the poor might be the victims of economic circumstance rather than of their own defects of character. And secondly, this new conception of the relation of individuals to one another and to the community made much easier the treatment of other social problems on similar lines. Once the principle had been admitted, the extension became merely a matter of expediency.

The difficulty of maintaining the disqualifications was soon apparent. Already from January 1911 persons were no longer disqualified from receiving pensions because of having recently been in receipt of Poor Relief. The effect of this was to increase very largely the number of pensioners and to decrease the number of outdoor paupers.[1] When the change had had time to take effect it was found that of all persons in England and Wales over the age of 70, three-fifths were old-age pensioners. The proportion varied according to the district, from 267 per thousand in Bournemouth to 778 in Bermondsey, from 448 in Surrey to 801 in Northamptonshire. The sum paid in pensions in 1911–12 was £7,948,016. The consequent decrease in the numbers, of old paupers is shown in the following table.

	Indoor.	Outdoor.	Total.
March 31, 1906	61,378	168,096	229,474
January, 1910	57,701	138,223	195,924
,, 1911	55,261	93,177	148,438
,, 1912	49,370	9,530	58,900
,, 1913	49,207	8,563	57,770

The outbreak of war in 1914 brought old age pensions once more under discussion. The progressive need for recruiting less and less-efficient workers in order to increase

[1] Cd. 7015 of 1913.

production led to a slackening of the means test. Pensioners agreeing to return to work might retain their pensions, provided their earnings were not more than 20*s*. a week in rural or 30*s*. in urban areas; and even those earning more had their pensions merely suspended during the term of their employment. The rise in the cost of living rendered the amount of the pension entirely inadequate, and it had gradually to be raised. At the end of the War a Departmental Committee was appointed by the Chancellor of the Exchequer, "To consider and report what alteration, if any, as regards rates of pension or qualification should be made in the existing statutory scheme of Old Age Pensions." The conclusions of this committee are chiefly interesting in that they show the rapidity with which the new conception of the relation of the State to the individual had taken hold of the public mind. In the interval between the passing of the Old Age Pensions Act and the appointment of this committee there had been much social legislation, including the important systems of insurance against sickness and unemployment in which contributions from public funds formed an important source of the benefits received by the workers. And the idea of State provision for the vicissitudes of the individual's life no longer seemed novel or revolutionary. The Charity Organisation Society renewed its plea for a contributory scheme on the grounds that such a system would now be more likely to be understood in consequence of the adoption of a similar scheme in the Health Insurance system. They recognised that there were still big difficulties in the way of enforcing a contributory scheme because of the numbers of casual labourers and self-employed persons and in particular the large body of non-earning women. But they believed these obstacles could be surmounted by a well-devised system of collection, and that the effect on the economic independence of the worker would well repay the trouble. But the majority of the committee were strongly opposed to this point of view, and envisaged a future in which the citizen looked naturally to the State for help.

The final object which we have in view is a system under which complete and adequate public assistance would be avail-

able in all cases in which it is required whether the need arises from old age in particular or from invalidity, unemployment or other forms of disability, and whether or not the need extends to destitution.[1]

Economy, however, was at the moment so vital a necessity that they hesitated to recommend any such drastic change as they might at heart approve. Yet so strongly did they appreciate the criticisms which had been brought against the means limit—as causing irritating enquiries and as tending to penalise thrift and industry—that they went so far as to recommend universal old age pensions at 70. They realised that the adoption of their proposal would mark a definite divergence from the original conception, which had regarded the pension as a treatment specially designed for the deserving. But they felt that the line of demarcation was too arbitrary to be just, and that less harm would be done by including some undeserving than by subjecting the meritorious to enquiry.

The Report was considered very favourably by the Government. Bonar Law, the Leader of the House, regretted that financial difficulties prevented them from doing all the Committee asked, but they felt that it was so vital that the pension be at once increased to 10s. a week that he asked the House to agree to taking all stages of the Bill in one day.

To the difficulty presented by the income test in the Old Age Pensions scheme there is no solution. A universal pension payable as of right to all citizens of a certain age offends the dictates of common sense and financial prudence. Public funds must be raised from taxes on the whole community, which includes many sections whose lives are dominated by the strain of providing for necessities out of an insufficient and often precarious income. To collect from such persons a national revenue, of which part is to go to pay pensions to individuals who may be better off than the taxpayer is a policy impossible to defend. It has often been assumed that if, in fact, the right to universal pensions were conceded there would be little to fear, because the millionaire would be unlikely to claim his 10s. a week.

[1] Cmd. 410 of 1919, p. 7.

But whilst it is easy thus to minimise the practical defects of a universal pension scheme, it is too easily assumed that the community is made up of two distinct sections, the rich and the poor. It is improbable that the millionaire would apply weekly at the Post Office for his pension, but the mass of the population are no more millionaires than they are paupers. And it is probable that the hundreds and thousands who have two or three pounds a week would be only too ready to take advantage of the right to a pension granted by the State. It would be difficult to justify on social grounds the payment of such a State allowance from funds raised by taxes on the tea and sugar and tobacco and beer of unskilled labourers, or farm workers, or women earning 25*s*. a week.

Yet an income limit has serious disadvantages. However efficiently administered it implies an element of pauperism; it divides the community into separate sections; it penalises thrift; it fails and must fail to discriminate between the deserving and the undeserving. It is the outstanding merit of contributory insurance that it overcomes these difficulties, since it makes possible the delimitation of the persons to be benefited without the objectionable results of a means limit. When the question of lowering the age at which pensions should be payable began to be seriously discussed after the War, the idea of contributory insurance was already well-established in the public mind; and it was possible to graft on to the old age pensions scheme a contributory insurance system against loss of earning-power during the five years between 65 and 70.

CHAPTER III

LOW WAGES

THE social reformer of the late nineteenth century found himself in a serious dilemma. There was no sphere of economic life in which it was considered more important to leave economic forces unrestrained freedom than in that of the settlement of incomes. For since society depended on the desire for gain as the stimulus to enterprise, it could be assumed that a man's income represented the measure of his success in gauging the needs of the community, and of his efforts in satisfying those needs. The old Wages Fund theory was now discredited, and it was accepted that the wage-earner's remuneration was settled by the marginal productivity of the group of which he was a member. And as workers would naturally tend to attach themselves to those industries in which their capacities were most richly rewarded, it could be deduced that variations in earning were due to differences in skill, efficiency and willingness to work ; that is, to variations in a man's economic value. To attempt any arbitrary redistribution of wealth would necessarily disturb this delicately-adjusted equilibrium of productive forces. The knowledge that a body of workers were living in the uttermost depths of poverty and wretched degradation might cause genuine sorrow and sympathy. But any discussion of plans for improvements left the would-be reformer feeling completely impotent to alter the state of affairs. Wages were low because the work done was of little value. If work was valued low it meant either that the worker was inefficient, or that the goods he was producing could command only a low price in the market. In either case any attempt to force wages above their natural economic level must result in serious unemployment, and even worse misery than one was trying to cure. One could only hope

that better personal habits on the part of the worker, healthier environment and improved education would together so increase his efficiency as to make him worth a higher wage. It took twenty years of endless discussion, of private investigation, Government enquiry and popular agitation, before the community was prepared to take the revolutionary step of giving the State even a minor part in the settlement of wage rates.

The late 'eighties was a period of great industrial unrest and social ferment. The beginning of trade unionism amongst the unskilled labourers was bringing into the public notice a large section of the wage-earning population, of whose appalling poverty and bad conditions most people had previously been ignorant. The existence of such misery and poverty in the midst of a world which had taken such gigantic strides in economic progress created considerable uneasiness. But of all the defects of the modern industrial system which pricked the conscience and disturbed the confidence of the people in the inevitability of progress, there was none that had so great an effect as the revelations of the conditions of the workers in those industries which were still carried on in small workshops or in dwelling houses. Certain factory inspectors had undertaken a systematic house-to-house visitation to ascertain the true state of affairs in these by-ways of the industrial world, and the conditions they discovered were more appalling than could have been imagined to exist. Over these conditions the factory inspectors had, for the most part, no jurisdiction. Those places where no power was used and where only men were employed were completely exempted from the Factory Act. The same applied to rooms in dwelling-houses where industrial work was carried on. And although the hours of work of women in workshops were supposedly controlled, the regulations were so lax as to be useless, and inspection so difficult as to be practically impossible.

The evils of what came to be called the "sweating system" aroused the indignation of the public, and were the subject of so much excited discussion in the 'eighties that a Select Committee of the House of Lords under the

Chairmanship of Lord Dunraven was appointed in 1888 to investigate the matter.

Their first task was to define the problem, to answer the question, "What exactly is the sweating system?" It took a year of patient enquiry and cross-examination of hundreds of witnesses to come to the conclusion that, in fact, no such "system" existed—a conclusion which was confirmed by private investigators in the same field, such as Charles Booth and Mrs. Sidney Webb. In the popular mind the sweater was a man engaged "in grinding the faces of the poor," who condemned his fellow-men to a life of perpetual "nigger-driving" in noisome dens at starvation wages, whilst he himself waxed rich, and battened on their miseries. Of the existence of such evils there was no doubt. Enquiry revealed a mass of individuals whose lives consisted of unrelieved wretchedness and whose incessant toil, in unsanitary conditions, brought them an income barely sufficient to keep body and soul from parting company. What was impossible was to discover any industrial "system" which was co-extensive with these evils.

Almost every witness before the Lords' Committee had his own definition of sweating and his own analysis of its cause. To some it was "giving out work at less than list prices," to others it was substituting the labour of women for that of men. One defined a sweater as "a man who manages to live without working," [1] another as one who subdivides labour and gives out work in various stages to be done by several operatives instead of by one more skilled, still another as a "middleman" But from this variety of definitions certain ruling ideas emerged. The general supposition was that sweating was bound up with a system of sub-contract, under which individuals agreed to take out work in their own homes or small workshops and employ others to do it, making their profit by the difference between the contract prices and the prices paid to their assistants. It was this "middleman" who was thought to grow rich by "grinding the faces of the poor."

The word "sweating" was originally used by journeymen

[1] See D. H. Schloss, *Methods of Industrial Remunerations*, pp. 206–7.

tailors in contempt of those of their number who took work home after hours, and got the help of their wives and daughters. Many of these men found it convenient to do all the work at home, and to employ others to help them in addition to the members of their own family. From this came the later and more common use of the word—those who make others sweat. And the name was soon applied to many other trades, boot-making, cabinet-making, brush-making, chain- and nail-making in which work was carried on at home, or in small workshops, and where rates of pay were generally low. But though sub-contracting was customary in tailoring, where the word originated, it was not to be found in many of the other trades which still were considered part of the "sweating system." There were, as Booth found, many different methods of organisation each with its own faults and difficulties. Where a number of distinct processes were involved, of which some demanded machinery, while others were entirely manual, it was simplest to sub-let certain of the processes to other people. Sometimes a wholesale house employed a go-between to distribute work to people at their homes and to collect it again when finished. The distributor was responsible for the work, and for paying those to whom he gave it, and might also do some of it himself. Such a system was usual in the lace trade. Or, as was generally found in the cabinet-making industry, there were a number of chamber-masters or garret-masters, working on their own responsibility and employing a few workers in a workshop or an attic. These were not sub-contractors; they made the goods at their own risk, and disposed of them by hawking them at the doors of the wholesale dealers. Or, again, as was to be found in the docks, a labour-master organised the gang of workers and made his profit by systematic deductions from the authorised pay for the work. In yet other instances, commonly in both boot-making and tailoring, the small master depended on a constant influx of "greeners," generally destitute foreigners, who were ready to work for little, or even no wage at all, in order to learn the trade, and whose competition for jobs depressed the earnings of all.

So varied, in fact, were the methods of organisation common in the sweated industries that the Lords' Committee gave up the hope of discovering an inclusive definition and defined the system instead by its results. They described sweating as work done at a rate of pay inadequate to provide the worker with necessities and disproportionate to the work done, with excessive hours of labour, and carried on in unsanitary workplaces. The details revealed by the various trades showed this description to be no over-statement. In the tailoring trade, the original arrangement, by which craftsmen agreed to do work in their homes, had been of advantage to both master and man. The master saved the expense of maintaining a workroom and providing tools, and the bother of exercising constant supervision; the workman liked the freedom of working in his own home, and had the chance of getting work from more than one employer. The quality of the work was assured by pride of craft and by the fear of losing custom. Most of the work was skilled, and there was little subdivision of processes. But the situation had been radically altered by the growth of a big market for ready-made clothes; the new clientele could afford to buy only the cheapest goods. Poorer materials were used, machinery was introduced, and the work was continually subdivided so as to make use of specialised "hands," rather than men trained in the old sense. The manufacturing clothier wanting big quantities of garments, both for home and export, gave out work to middlemen who undertook it at a fixed rate. These in their turn sublet either the whole, or more often certain processes, to others, and the job thus might pass through many hands, each participator squeezing a little profit out of the man below. The evil was intensified by two factors. Firstly, the ease of setting up in business led to a multiplicity of small masters. All that was required was a small workroom, which might be a room in one's dwelling-house, and machines which could be acquired on cheap hire-purchase. But to get established in the trade meant persistent undercutting and offering to undertake the job at lower and lower rates. The small sweater, who was the most common

figure in the trade, had as hard a time as his employees; he worked amongst them, and their relations were friendly and familiar. If he "ground the faces of the poor" he ground his own at the same time. There was no class hostility between him and his workers; on the contrary there was a great community of interest. "If they quarrel it is with that happy equality of tongue which leaves no sentiment unexpressed; mutual abuse and oaths clear the air, and friendly relations may be promptly renewed." [1] The master was in the same boat as his man, both victims of common circumstance.

The second factor was the influx of cheap foreign labour, mainly Jews from Russia, Poland and Germany. They were already used to enduring the hardest pinch of want; they were destitute when they arrived and eager to snatch at any work, whatever the pay or conditions. There was simply no limit to the lowness of standard they were prepared to accept in order to get a footing in the country. The Local Government Board reckoned in the late 'eighties that between 60 per cent and 80 per cent of those engaged in the tailoring trade in East London were foreigners. Many of the immigrants paid a premium to be taught a branch of the trade, and many workpeople took apprentices in this way and became sweaters in their turn. The premiums were often paid by the Jewish Board of Guardians, who also collected funds from the charitable to maintain the families of the learners until they had acquired knowledge to get a job in the ordinary way. But the existence of a large body of adult apprentices naturally brought down the wages of the others. The Jewish Board of Guardians tried to stem the immigration by publicity work in the countries from which they came, telling of the low wages and overcrowding in England, and by refusing relief to those who had not been established for six months in this country before their application. But it was of no avail. Still the rush went on. The newcomers depended on their friends and relatives, and on the well-known generosity of Jews to their co-religionists. They preferred the political freedom

[1] Booth, *Life and Labour*, Vol. IV, p. 338.

of England and the chance of rising to something better, to the conditions of the countries in which they had been born. They brought with them their low standards of living and of cleanliness, their disregard for dirt and overcrowding. They were sober and industrious and very anxious to get on in the world. They could work for fifteen hours a day, and live " on a cup of coffee and a red herring." [1]

Women and young persons were supposed to be protected by factory and workshop regulations, but these were completely disregarded. There were too few inspectors to keep track of all the outhouses and garrets and lean-to's in which work was carried on ; so that women as well as men often did fourteen hours or more a day, and worked during the night with the men they were helping. A description of one such workshop was given by Mr. Lakeman, a Factory Inspector.

> You find a perfectly filthy bed on which the garments which are made are laid ; little children—perfectly naked little things —are lying about the floor and on the beds ; frying pans and all sorts of dirty utensils, with food of various descriptions on the bed, under the bed, over the bed, everywhere ; clothes hanging on a line . . . ashes all flying about and the atmosphere so dense that you get ill after a night's work there.[2]

Wages varied so much that it was difficult to generalise. Pressers, whose work was very heavy and skilled, received the best wage, sometimes as much as £2 2*s*. a week for full-time. But the trade was highly seasonal. Full time was limited to three months each year ; while the conditions of the work which necessitated standing perpetually in steamy air near a hot fire wore men out in ten years or so. General hands and learners made an average varying from 2*s*. to 6*s*. for a full week.[3] These wages refer to coat hands, coats being made usually in small workshops. Information with regard to the making of trousers, waistcoats and children's clothing was more difficult to get, since these were generally made in the worker's own home. Wages generally ranged

[1] Lords' Committee 169/1890, p. xliii.
[2] Quoted Fabian Tract No. 50, 1894, *Sweating : Its Cause and Cure.*
[3] C., 331/1887.

from 5*s*. to 7*s*. a week for a full week. But this demanded very long hours of work, and the trade was so irregular that it was only in rush periods that these amounts could be earned.[1]

In Leeds,[2] where a similar type of tailoring to the London one had developed, conditions were much better. Here, too, the largest body of employees were Jewish. Even the Gentile employers preferred them because of their steady, sober, industrious habits, though they were not as well-trained or skilled as the English. As Leeds was the centre of the clothing trade, the industry was organised on a much larger scale than in London. Work was carried on in clean, well-ventilated, fair-sized rooms under the supervision of the factory inspectorate. Although the Jewish population had settled mainly in one district, they had come more into contact with English workers than in London; they were learning something of English ways and adopting English standards. The men were beginning to organise and were affiliated to the Leeds Trade Council. In general it seemed that wages were 10 or 15 per cent lower than those paid for similar work in London, but hours were much shorter and 25 per cent less work was done for the wage.

The details described in these reports on the tailoring trade led many to believe that sweating was due principally to the presence of aliens with a lower standard of living, crowding-out the native born worker and dragging him down to their level. But enquiries into other trades showed the same conditions to exist where no aliens were employed. Shirtmaking was carried on principally by married women, whose husbands were casual labourers and whose incomes were thus irregular. They worked in their own homes, and were paid 7*d*. or 8*d*. for making a dozen shirts. Unceasing work might bring in 1*s*. 2*d*. a day. The chain- and nail-making trade was carried on at Cradley Heath and the

[1] Report to Board of Trade on Sweating System in East End of London, by John Burnett, Labour Correspondent to Board of Trade, C., 331/1887, pp. 12–17.

[2] Cf. Report to Board of Trade on Sweating System in Leeds, by John Burnett, C. 5513/1888.

villages near by. The larger chains were made in factories, but the smaller were made by hand in small workshops attached to the workers' homes. The sweater, here known as a "fogger," got iron from the master, distributed it to the workers, and collected from them the finished chain or nails. Each worker received a certain weight of iron and had to produce a corresponding weight of chain, or pay for the loss. Some allowance was made for waste in making, but the amount of the allowance was a perpetual source of grievance. Despite the Truck Acts the worker was often compelled to spend his earnings at the "fogger's" shop or one kept by his relatives, or else be told there was no work for him. A woman working 12 hours a day for five days might make 4*s*. 6*d*. to 6*s*. 6*d*. a week; a clever man might make as much as 15*s*. Some of the machinery was too heavy for women and made them liable to miscarriages.

Cabinet-making had suffered the same fate as tailoring; work done by a trained skilled man had been subdivided into many processes, on most of which women and children could be employed. But here the garret-master worked on his own account, and very little foreign labour was employed.

If the enquiries showed, then, that there was no one type of industrial organisation to which the name "sweating system" might justly be applied, it did also reveal that there were certain factors common to all trades in which sweating, as defined by the Lords' Committee, was prevalent. In every one of these industries the trade was in the hands, not of a few big firms, but of a very large number of small businesses. The work was generally done by hand, and where machines were used they did not need to be worked by power. Where the demand for goods was highly seasonal the maintenance of a factory and its mechanical equipment capable of producing sufficient to meet the rush was a heavy expense during the off season; and since the work could be done in houses and workshops the employer gained by putting it out. In many cases the small workshop had the advantage over the factory; it required little capital to set it up; it could evade the factory and workshop regula-

tions with regard to safety and health and hours of work; it offered an opening to the ambitious man ready to work for the most meagre profits in order to get a connection. The dealer could take advantage of all these facts, and use the competition of one small master with another to cut prices again and again. In factory trades the employer was compelled by law to assume a certain degree of responsibility for the health and well-being of his employees; but in these industries there were no responsible employers to whom this task could be allotted; for the hundreds of small employers were themselves joint victims with their workers of the conditions under which work was being done. It was this fact which led Mrs. Sidney Webb continually to insist that it was useless to look for a class of employers to blame. "The sweater is, in fact, the whole nation." [1]

The multiplicity of small masters led to the other evils of the sweating system. Forced by continual cutting of prices, the masters were themselves compelled to work long hours to make a living, and they expected their employees to do the same. Wage rates were reduced in the hope of giving the master a temporary advantage. No money could be spared for decent rooms, or for keeping them in a healthy state. In the factory industries, the male workers had banded themselves together in trade unions to force standard rates of pay, and the Factory Act insisted upon minimum standards of sanitation. The workers in the sweated trades had neither protection. In the small workshops the law was easily evaded because of the inadequate size of the inspectorate; for those who worked in their own homes there were practically no legal requirements at all, and organisation was impossible on account of the presence of a large body of workers with indefinitely low standards of life, with no traditions of class loyalty, usually with no exclusive skill, but with the desperate necessity of getting a job and earning something, however little. The foreign element in the tailoring and bootmaking trades of Leeds

[1] "The Lords and the Sweating System," *Nineteenth Century, 1890*, p. 889.

and London, the masses of women whose husbands were in casual and irregular work and who had children to feed, could think of nothing but the need to get work whatever the terms.

Each of these factors was a link in the vicious circle which bound the sweated workers. The task of breaking this chain seemed almost impossible. It was no use to forbid or control alien immigration ; the Lords' Committee thought the evils of foreign immigration to have been much exaggerated, for similar conditions existed where there were no foreigners employed. Alien labour might be restricted ; but how could one decrease the very much larger number of native-born women and children who formed the main bulk of the sweated workers ? Sub-contracting could not be prevented because this in itself is a perfectly usual part of an industrial system becoming increasingly specialised and complex ; and moreover, sweating was found where no sub-contract took place. The number of people working in small groups or isolated in their own homes was the principal trouble, but to prohibit homework would be arbitrary and oppressive, as well as difficult of enforcement. The only point at which it seemed possible to introduce any improvement at all was in the sanitary conditions of the places where work was done. The Committee recommended that, for sanitary purposes, factories, workshops and domestic workshops be all treated alike, that an adequate inspectorate be appointed, and that employers be obliged to keep names and addresses of all outworkers so that the inspectors might keep track of the places in which the work was actually being carried on. For the rest, they relied on better technical education to increase the worker's efficiency, and hoped that efforts to organise would be made by the workers. They expressed the somewhat forlorn hope that the enquiry would have a moral effect on both employer and employee. " When legislation has reached the limit to which it is effective, the real amelioration of conditions must be due to the increased sense of responsibility in the employer and improved habits in the employed." [1]

[1] Lords' Committee 169/1890, p. xlv.

Mrs. Webb rightly characterised these pious hopes as " a grim joke," for what possibility of organisation was there for a class of people so downtrodden, so abject, so poverty-stricken, so isolated as were the majority of workers in those trades; and what chance existed for voluntary improvements undertaken by a mass of small employers, themselves often as ignorant and poor as their employees? But it is significant and worthy of note that not even those who criticised the Lords' recommendations had anything very much more drastic to suggest. Nobody dreamed of proposing that wage rates should be controlled. The most that was hoped for was that manufacturers should themselves be made responsible for the maintenance of as good conditions in the workshops and houses to which work was given out, as they were forced to maintain in the factories. In this way, it was believed, homework would gradually die out, and work would be concentrated in the factories, where it could be more adequately regulated and supervised. The Trades Union Congress passed resolutions demanding the registration of workplaces that Factory Law could be extended to them. The Minority Report of the Royal Commission on Labour, representing the opinion of the labour representatives, made the same suggestion. Charles Booth felt pessimistic. " I may say at the outset that my expectations of rapid and certain remedy are not high " [1]; and he suggested that not only the manufacturer but also the owner of premises on which work is done should be required to take out licences so that supervision over places of work could be maintained. Yet he did not believe this would cure the trouble. " I regard these evils as being for the most part directly connected with the poverty of the sufferers and the irregularity of employment, to be cured only by such thorough-going remedies as will strike at the causes of poverty itself." The Fabian Society felt that the only salvation lay in hastening industrial evolution, and hurrying work out of the home into the factory, while meanwhile a little might be done by inserting an anti-sweating clause into all public contracts. All these attitudes and

[1] Booth, *Life and Labour*, Vol. IV, p. 343.

expressions of opinion give further evidence of the contemporary conviction that outside interference with wage-rates would lead to disaster.

The only positive result of the work of the Lords' Committee was that, by an Act of 1891, every occupier of a factory or workshop must, if required to do so by the Home Secretary, keep lists of all outworkers employed by him, and of the places in which the work was done; and by a later enactment these lists had to be sent periodically to the factory inspector. In addition, not only was a substantial increase made in the number of factory inspectors, but the nature of the inspectorate was altered. For the first time women were included, and a special class of assistants was appointed, composed of practical men trained in industry rather than in administrative work. It was their particular task to follow-up the outworkers' lists and attempt to supervise and control the sweating dens. Very little could, however, be accomplished in this way to attain higher standards for the sweated workers. For the local authorities, who were responsible for regulating the sanitary standards of all workshops, mostly neglected their duties. No systematic inspection was carried out, and for the most part only those workshops were visited with regard to which complaints had been received. But it was on the regular house-to-house visitation by sanitary inspectors that the factory inspectorate had to rely for notification of places in which industrial work was being done. The failure of the sanitary authorities to provide this information necessarily meant the failure of the factory inspectors to control the sweaters. The neglect of the local authorities was not entirely their own fault. It was not until 1901 that lists of outworkers were sent to them, and they had no means of ascertaining in which houses outwork was done, for the work was far from regular. Houses were continually being converted into workplaces, as the poverty of the inmates demanded. At one visit the sanitary inspector might find a room solely used for living; a few weeks later work might be taken in by the wife or daughter to help supplement the man's poor earnings. So that for the most part

the laws which were intended to improve the conditions of outworkers remained a dead letter.

Greater knowledge of the details of sweated industry, and more experience of efforts to control the conditions under which work was carried on, forced home the lesson that it was the existence of so much industrial work in private houses that presented the main stumbling-block to any real improvement. For it was practically impossible for any public authority to keep in touch with the thousands of separate workrooms, and the isolation, poverty and ignorance of the unfortunate home workers themselves prevented them from taking any combined action to help themselves. Indeed, far from helping themselves their actions tended to the constant deterioration of their own standards. For the ranks of the homeworker were largely recruited from two sources. Firstly, the casual worker, forced into industry by the death or economic failure of her husband, and driven by hard necessity to take whatever offered without bargaining. Secondly, the supplementary wage-earner anxious to add to her husband's income, but not so vitally concerned to maintain rates. Both were grave impediments to organisation. It was probably not true, as had sometimes been contended, that the homeworkers undercut the rates paid to the factory workers. Miss Irwin, a very competent investigator, was not able to discover any cases of a difference in rates paid to the two classes of worker.[1] But there was no doubt that indirectly their competition was extremely effective in lowering the pay for all. The homeworker provided her own tools and some of her own materials, such as thread and needles, her own fire for ironing, etc. Those who were completely dependent on their own efforts could not earn enough to live, and often pressed their children into service before and after school hours; and the money earned was thus in part a family wage. When the factory workers complained of low earnings and demanded an increase of rates, the employer could point to the amount he had paid to some homeworker and argue that the rate

[1] Cf. article in *Nineteenth Century*, 1897, "The Problem of Homework," by Margaret H. Irwin.

was sufficiently high to provide good pay for a good worker. The burden on the children who were pressed into service to maintain the family income was not the least of the evils of the system. It was not to be wondered at that complete prohibition of homework seemed to many observers the only possible solution. And if all homeworkers had been capable of going into factories there might have been a good deal to be said for such prohibition. But, in fact, for many of those who worked at home there was no alternative. A great deal of work was given out, not because of the cupidity of the employers who wished to save the expense of premises, but because it was to the workers' advantage. The woman who was compelled to combine her domestic activities with industrial work might be prepared to work as many hours on a wage-earning occupation as the factory employee. But she could not always be certain of doing so during the factory hours. The wives of men on night shift—such as cabdrivers, railway employees, miners, postmen—must be ready to prepare meals at irregular times. The mother with children of school age or younger must either remain at home to look after them, or else pay a neighbour out of her small earnings to mind them. The old or infirm could work many hours at their own pace, but were unable to stand the strain and rush of the factory. And there were many women who had been brought up in respectable and clean surroundings who found themselves faced by the necessity of earning but who shrank from mixing with the rough crowd of unskilled factory workers. To prohibit homework while making no financial provision for all these from whom a chance of making a living would be taken away, would be to increase rather than to alleviate suffering.

It seemed that a deadlock had been reached. An attempt was made to persuade the employers to improve affairs by the force of public opinion. In some places, Consumers' Leagues were formed, the members of which pledged themselves to boycott all goods made by sweated labour. But such an attempt was bound to fail. For so often the sweating took place during the manufacture of one small part of the production of a whole commodity, and it was not possible

for the purchaser to make himself aware of every detail in the long, complicated processes of manufacture of the thousands of things he bought in a month. A dress might have been made by well-paid labour, but the press fasteners or buttons used were probably carded by sweated workers; chocolates were produced under excellent sanitary conditions in a factory, but the pretty box in which they were packed was put together in the dirty room of a home worker. Goods passed through so many hands and such a complexity of specialised processes that the final buyer could never keep touch with all the conditions. Moreover, the influence of public opinion, even if effective, assumes the existence of a body of responsible employers to be moved by it. But, as we have seen, no such body existed in the majority of these trades.

Certain of the women's societies, the Women's Industrial Council, and the Scottish Council for Women's Trades, believed that something could still be accomplished by better regulations of the conditions under which work was done. They suggested a Home Industries Bill based on the experience gained in certain American states. They proposed to penalise the employer who gave out work, unless the worker could produce a certificate from the Factory Inspector that the home was suitable for such work. The object of the Bill was to fasten on the employer the responsibility for seeing that his work was done under proper conditions, whether in premises supplied by himself or not. It was hoped, too, that whilst the consumer would benefit in that the risk of dirt and infection was lessened, the worker would have some protection against rapacious landlords who charged exorbitant rents for cramped, unsanitary rooms that happened to be near to the centres from which work was given out. Here, again, however, no improvement could be expected without the most frequent and efficient inspection; and it was the difficulties in the way of the constant inspection of hundreds of thousands of homes that had made such previous attempts at regulation failures.

Slowly the conviction was growing that only one solution remained—to go direct to the source of all the trouble,

the low wages. It was the low rates of pay that led to the long hours of work, to the employment of children, to the dirty and insanitary condition of the workplaces, to the hopelessness and misery of the workers. Raise wages and the other evils disappear of themselves. But how could wages be raised? In the factory trades it was only by the force of collective action on the part of the workers that employers were gradually compelled to pay higher wages, and it was by now generally accepted that organisation amongst the employees of sweated industries with their large proportion of women homeworkers was out of the question. There was only one alternative. The State must use its authority to get for these downtrodden and unprotected workers the rights they were unable to secure for themselves. Such a view was not likely to win easy acceptance. For a century men had been taught that any attempt on the part of an external authority to interfere in the settlement of rates of pay was, in Dicey's words "antiquated folly." True, fifty years earlier the same belief with regard to the limitation of hours of work for women and children, or with regard to the maintenance of minimum standards of health and cleanliness, had been equally prevalent. But by the end of the nineteenth century State regulation of hours and sanitation was accepted more or less as part of the natural order of things, for few people think of the institutions amongst which they grow up as requiring justification. But to fix by legal authority the amount a man should receive for his work seemed to be to introduce something new and revolutionary.

There is, in fact, however, little difference in principle between legal compulsion to maintain a minimum standard of health or of leisure and the legal obligation to make a minimum payment. The equipment of the factory and the number of hours worked are just as much elements determining the cost of production as the wage-bill itself. An industry which is not able to pay its employees the amount necessary to keep them in health is necessarily putting part of the burden of its cost on other trades. It has been seen that one of the causes of the low wages of the sweated

workers was the fact that so many of them who were women were supplementary wage-earners. They could manage to keep alive, if not in health, because part of the expense of maintaining them fell on husbands or fathers who were in work. The trade which can maintain its solvency only by becoming parasitic, by relying for the maintenance of its labour force on the support accorded to it by others, is as surely sapping the vitality, and wasting the resources of the community, as one that spreads disease by the dirt of its buildings.

The socialist societies, in particular the Social Democratic Federation, and some members of the Fabian Society, insisted that the enforcement of a legal minimum wage was only one part of the necessary maintenance of general minimum standards by a civilised community. If it was argued that the State must protect members of the community by limiting the hours of work, by regulating the conditions of public health, by educating the young, there could be no disagreement on principle with the contention that it must also lay down a minimum rate of remuneration below which nobody must be employed. It was undoubtedly true that the necessity of raising wages would increase their costs of production in some industries so considerably that many trades might be completely wiped out of existence.[1] But the very fact that such trades could not pay their way when compelled to make adequate return for the services rendered to them would prove them to be parasites, the destruction of which would be to the ultimate benefit of the community. For not only are they perpetually draining the vitality of the country, but they produce the environment in which are reared new generations of inefficient, sickly people destined in their turn to swell the ranks of the unemployables. In fact, however, it was argued that there was no need to fear the wholesale breakdown of such industries. The history of factory legislation was full of such doleful prophecies. Every suggested improvement had been opposed as threatening a mortal blow

[1] Fabian Tract, No. 126. Cf. also Sidney and Beatrice Webb, *Industrial Democracy*, chapter on "Parasitic Industry."

at industrial prosperity; but industry not only survived: it became more prosperous than before, as a result of the greater efficiency of its healthier employees. There was no need to assume that the rise of wages would inevitably bring increased prices in its train. For just as shorter hours and better surroundings showed themselves in better quality work and increased output, so would the better standard of living made possible by the higher wage pay for itself as soon as it had time to take effect. But more important than the effect on the worker would be the stimulus given to the employee. "'Mankind,' says Emerson, 'is as lazy as he dares to be,' and so long as an employer can meet the pressure of the wholesale trader or of foreign competition by nibbling at wages or cribbing time, he is not likely to undertake the 'intolerable toil of thought' that would be required to discover a genuine improvement in the productive process. Unable to reduce immediate costs by the time-honoured method of wage reduction, he would be compelled to overhaul his methods and eliminate waste. For the less efficient employers, such a reorganisation would be impossible of accomplishment, and they would soon find themselves unable to make ends meet. But the bankruptcy of some badly organised firms does not reduce the demand of the public for the things these firms were producing, the coats, and dresses, the brushes and boxes. The goods must still be produced, and workers to produce them would still be needed. But the place of production would be transferred from the dirty, ill-regulated, badly-equipped workroom to the modern, healthy, well-organised factory."[1]

There were many who accepted the national minimum wage as theoretically justified, but who still believed its enforcement too drastic a step to be contemplated with equanimity. It takes time for both employers and workers to respond to the stimulus of higher wages; and the doubters felt that the shock to industry and the consequent severe dislocation would cause widespread unemployment and misery. The idea of a practicable compromise came from

[1] Speech by Sidney Webb at Industrial Remuneration Conference, October 1906.

the experience of Australia and New Zealand. Early in the 'eighties there had been considerable anxiety in Victoria with regard to the prevalence of sweating, particularly amongst women workers in the clothing trade. The dominant opinion then was that the bad conditions were due to the existence of sub-contract and homework, and consequently the Factory Act was made to apply to any premises on which even six people were employed. The hoped-for improvement, however, did not ensue, and by an Act passed in 1896 the Governor was given power to appoint special Wages Boards for certain trades. Each Board was to be composed of a chairman and equal numbers of representatives of employers and workers, with the duty of fixing a minimum wage for the trade, enforceable by law. The Act was passed in the first instance for an experimental period of four years. Many amendments were introduced into it and only in 1905 did it become a permanent piece of legislation. To prevent the exploitation of apprentices and young learners a wage of *2s. 6d.* a week was declared as the absolute minimum that any paid worker might receive. But the statutory definition of the adult minimum wage was never attempted, and the Boards were instructed to base their rates on the payment made by "reputable employers to employees of average capacity." [1] For the aged and infirm who were below average capacity and could not get employment at this figure, permits enabling them to accept lower wages were granted.

The promoter of this measure had discussed the matter with Sir Charles Dilke, who was very anxious that a similar scheme should be tried in England. At the request of the Workers' Trade Union League he introduced a Bill into the House of Commons in 1898 and again in many succeeding sessions, but without success. He realised that Victoria with its small population and its few industries was a better field for such experiment than England. In Victoria those who became unemployed as a result of the Act might fairly rapidly be absorbed into agriculture or other employment.

[1] See Ernest Aves Report, Cd. 4167/1908, for full account of wage-fixing machinery in Australia.

England with its much more complex industrial structure presented a more serious problem, and he felt it essential for the success of the scheme that it should be very tentative. His Bill proposed that any six persons employed in a trade might apply for the setting up of a Wages Board. The Secretary of State was then bound to hold an enquiry and if this showed that the establishment of a Board was desirable proceed to set one up.

But little support for the proposal could be gained. Even liberal-minded reformers believed that such a system would be unworkable. Mrs. Ramsay Macdonald, for example, argued that workers in their fear of unemployment would aid employers in evading the law. Experience showed the difficulty in the way of administering such a law. For many years there had been a clause in every public contract that " fair wages " must be paid, and that no work must be given out to be done off the premises of the employer accepting the contract. But it was common knowledge that the fair wages clause was altogether disregarded. If this Bill became law the tendency would be for more work to go into the homes as being less easily checked than in factories, and this was the very result that should be avoided. The inability to get any general agreement on the right method of advance led to the gradual decline of public interest in the matter.

The situation however was completely changed by the action of the *Daily News* which, in May 1906, organised a Sweated Industries Exhibition at the Queen's Hall. The exhibition, a copy of a similar one held in Berlin two years earlier, was opened by Princess Henry of Battenburg and lasted a month. It was confined to homework of the worst type, as it was rightly argued that in such propagandist work it is best to concentrate one's energies. The exhibition consisted of exact reproductions of the home and working conditions of typical sweated workers. Workers were persuaded to carry on their jobs whilst the visitors looked on, and cards displayed the payment received for the work done. At intervals lectures on different aspects of the subject were given by various authorities.

It had been generally accepted before that the sweated industries were those producing goods entirely for a cheap market, and this belief had, in fact, increased the despair of those who sought for a solution to the problem. For if any regulative action resulted in a rise of prices it would not be only the workers who would suffer, but the whole mass of poor persons who depended upon being able to buy these cheap goods. Visitors to the Exhibition were, however, horrified to discover that sweated work was not confined to the production of low-priced goods—that in fact many of the things for which they paid high prices in West End shops had gone through the sweating dens at some stages in their manufacture. Exquisite artificial flowers used by milliners and dressmakers enabled a woman of the greatest skill to earn 2*d.* an hour; the more usual amount was 1½*d.*[1] The making of baby clothes yielded ¾*d.* to 1¾*d.* an hour. The military embroidery that formed part of the extremely expensive outfit of an officer was made by sweated homeworkers, despite the fact that Government contracts for this work actually prohibited any work being given out. The prohibition was completely and openly disregarded. In the production of exquisite and expensive chocolate boxes, twelve hours' incessant toil might bring in 1*s.* 3*d.* A penny was the price for making a boy's shirt: it took fifteen hours to produce a dozen. Chainmaking carried on in domestic workshops round Cradley Heath enabled a skilful worker to earn 8*s.* a week. The carders of buttons and hooks and eyes in Birmingham had to sew 384 hooks and 384 eyes on to a card in order to earn a penny, and out of this starveling remuneration the worker provided her own needles and cotton. The average earnings of women working long hours was 3*s.* 3½*d.* a week. The lace makers of Nottingham might make as much as 3*d.* an hour, but a third of this went to pay the middlewoman whose job it was to distribute and collect work and to check loss or damage.

[1] Details from catalogue of *Daily News* Exhibition. Cf. also article by Mrs. Macrosty, *Socialist Review*, April 1909, "The Prices at which Sweated Commodities are sold."

The effect of the exhibition can hardly be overestimated. The apprehension for their own safety quite naturally felt by the public when they realised the conditions under which the things they bought were made was reinforced by their moral indignation at the existence of such a mass of misery. From being largely a topic of sectional interest, the subject leapt at once to the foreground of public discussion. "The profound impression made by the Exhibition found expression in a universal desire for action." [1] The *Morning Post* in a leading article written two days after the opening of the exhibition said that with evils so notorious the only matter to discuss was the appropriate remedy however drastic it might be, "For it is clear that even if the disappearance of the sweating system meant the disappearance of a few industries the community as a whole would gain rather than lose. . . ."

The immediate outcome was the formation of an Anti-Sweating League to prevent the public interest from fading and to discuss the way in which matters might be at once improved. A Conference in the Guildhouse was opened by the Lord Mayor and for two days delegates representing two million organised workers listened to addresses by such leaders as Sir Charles Dilke, Sidney Webb, G. B. Shaw, J. A. Hobson, George Askwith, etc. There was general agreement that it was hopeless to expect the victims of sweating to protect themselves; for them in their present position organisation was impossible. The State alone could protect them; and the establishment of Wages Boards with the power to fix wages enforceable by law, on the model of the Victorian experiment became the accepted policy. How rapid had been the change of opinion caused by actually seeing the state of these trades can be realised by remembering that only a few years earlier in 1902 a competent observer had been able to say, "Opinion is not yet converted to the legal regulation of wages nor likely to be for a considerable time yet." [2]

Mr. Ernest Aves was sent out to Australia to enquire

[1] A. G. Gardiner in introduction to C. Black, *Sweated Industry*.
[2] Miss B. L. Hutchins, *History of Factory Legislation*. p. 216.

into the working of wage legislation there;[1] and his investigation led him to the view that the experience of Victoria, valuable and interesting as it was in itself could not be considered as conclusive for England. The experiment was small, since the workers affected were naturally few in a country of small population, and it had coincided with a period of prosperous trade. In a country such as Great Britain with a large and complex industrial population the situation would be very different, and it was probable that persistent evasion would follow any attempt to enforce rates by law.

> For various reasons, therefore [he summed up], the evidence does not appear to justify the conclusion that it would be advantageous to make the recommendations of any Special Boards that may be constituted in this country legally binding, or that if this power were granted it could, with regard to wages, be effectively exercised.

But the problem of the sweated trades was now felt to be so pressing that people were no longer content to make this nice calculation of pros and cons. Something drastic had to be done.

The determination that this time some effective step must be taken led to the setting up of a Select Committee on Home Work,[2] which reported in 1908 after a thorough discussion of the different suggestions advanced. They started from the point that homework could not be prohibited because those who did this work were usually prevented by disability or domestic circumstances from going into the factory. But the existence of homework complicated the problem. For such jobs the supply of labour was large and elastic. A great deal of the work consisted of sewing, and the majority of women naturally turn to this at once in an emergency. Working by themselves prevented them from getting the protection of organisation, and also their out-of-date tools and equipment put them in a poor position for competing with the factories, and moreover, they could retain their work only if they cost little. At the same time the fierce competition amongst

[1] Cd. 4167/1908. [2] Cd. 246/1908.

hundreds of small masters which the low payment given to homework made possible checked the introduction of good methods and better machinery into the factories. The committee came to the conclusion that legislation was necessary, and recommended the establishment of Wage Boards on the ground that only the raising of wage-rates and the prevention of the competition through wage-cutting would be of real positive help. They were fully aware of the practical difficulties. To protect homeworkers a piece rate must be fixed. Was this rate to be based on the time taken by a worker of average skill working with modern machinery or on the time actually taken by a homeworker, many of whom were old, or crippled or inefficient? Again, where fashion plays a part, the constant change of design would necessitate continually refixing the rates. But in the principle of legal wage regulation they saw no difficulty.

> Upon the general policy of Parliament fixing or providing for the fixing of a minimum rate of payment below which it should be illegal to employ people, your Committee are of opinion that it is quite as legitimate to establish by legislation a minimum standard of remuneration as it is to establish such a standard of sanitation, cleanliness, ventilation, air, space and hours of work. If it be said that there may be industries which cannot be carried on if such a standard of payment be enforced it may be replied that this was said when the enactment of many of the provisions of the Factory and other similar Acts were proposed and public opinion supported Parliament in deciding that if the prognostication were an accurate one, it would be better that any trade which could not exist if such a minimum of decent and humane conditions were insisted upon, should cease.

They recommended that there should be set up in certain trades—for example, tailoring, shirtmaking, lace-making—Wage Boards composed of employers and workers under an impartial Chairman, and charged with the duty of fixing a minimum rate of wages to be enforced by law. As the Board would be composed mainly of those in the industry itself there would be a check on imprudent fixing of wages and little likelihood of the "temporary inconvenience" which might be caused by putting wages too

high. They made the suggestion that the Boards might fix wage-rates at the level already being paid by the most reputable employers.

The report suffered from a certain confusion of thought, a confusion which has been not uncommon with regard to the relation of the State to wage settlements. On occasions it refers to the wage to be legally fixed as if it were comparable with the regulations laid down by law prescribing the standards to be maintained in matters of sanitation, space, ventilation, etc., and argues that just as a trade which cannot afford to equip itself in such respects according to the requirements of a civilised community had better not exist, so, too, one which can remain solvent only at the expense of paying its workers less than sufficient to maintain themselves on the minimum standards of health and efficiency, stands equally condemned. Such a contention obviously envisages a national minimum standard of remuneration similar to the prescribed standards of public health. But in fact its recommendations are on quite different lines. They advocate that the wages be fixed by a representative body to ensure that there shall be no "imprudence" in settling the rate, and suggest that the amount already paid by a good employer be taken as the guide. Now there is no guarantee that the wage paid by even the best employer in the trade is sufficient for the maintenance of a healthy existence. In fact, if the whole trade instead of merely the inefficient firm is parasitic, it will not be so. What the committee was really advocating was not the establishment of a legal minimum wage, but the setting up of statutory collective bargaining; and in doing so they showed their practical wisdom. Each enquiry into the sweated trades had shown that the one factor common to all of them was the impotence of the employees to save themselves from exploitation. In the industries in which the workers were organised there was a sure check on the power of the employer to undercut his rivals and quote a low price for his goods by forcing down the wages of his workers. The standard rates reached by agreement between representatives of both bodies introduced an

element of stability, and protected both the good employer and the workers. But it was of little use to preach self-help through organisation to a group of people so oppressed, so overworked, so ignorant and so poor. The courage and determination necessary to build up a permanent organisation were as lacking as the funds to pay for its upkeep. Only if the foundations were prepared by outside assistance could it be hoped that the greater leisure, the higher standard of living, the renewed hope of the workers would make it possible for them to develop the same powers of resistance to exploitation as the organised workers already displayed.

This objective was clearly recognised by the promoters of the Bill which was introduced into the House in 1909 to embody the Select Committee's proposals. "The principles on which we are proceeding," said Mr. Winston Churchill who, as President of the Board of Trade, introduced the Bill "are to endeavour to foster organisation in trades in which, by reason of the prevalence of exceptionally evil conditions, no organisation has yet taken root, and in which in consequence, no parity of bargaining power can be said to exist; to use these organisations, when formed, as instruments to determine minimum standards below which the wages paid ought not to be allowed to fall; to rally to the side of these minimum standards all the healthy elements in the trade; and finally, if and when this has been achieved, to protect the good employers . . . who are anxious to pay a proper rate of wages from being undercut." Again, the Hon. H. J. Tennant who, in moving the Second Reading, spoke of the measure as "at once an experiment and a revolution—a new step in the social progress," insisted that "State interference with the remuneration of labour can only be justified in exceptional cases where two fundamental conditions are absent—I mean the mobility of labour in its true sense and effective organisation."

So profound had been the impression created by the revelations of the last few years that the Bill passed without opposition, although there were many who accepted it without enthusiasm. The vote for the Bill was in these

cases not so much evidence of a belief in the propriety of the State playing a part in negotiating contracts between masters and men as of inability to think of any alternative means of remedying very definite evils. "I confess I see no way out of the main proposition which the Government have put before you," said the Marquess of Salisbury in the House of Lords. "As far as I myself am concerned, I assent to the establishment of these Trade Boards whose principal function is to fix a minimum rate of wages. I do so because the ordinary trade remedy for these evils appears to be impracticable . . . I mean the union of the workers. They know much better—I am speaking of employer and employed—what is good for them than any Trade Board which the ingenuity of the Government or of your Lordships' House can construct."

The Trade Boards which the ingenuity of the Government constructed were, by the Act of 1909, set up in four specified trades—tailoring, box-making, lace-making and chain-making—but the Board of Trade had the power to extend that machinery to other trades if it was proved that the wages paid in them were exceptionally low. Each Board was and is composed of an equal number of representatives of employers and employed, together with a number of "appointed persons" unconnected with the trade, one of whom acts as chairman. It is the duty of the Board to fix a minimum time-rate on which piece-rates may be based. After a period of time, during which objections to the rates are considered, the Board of Trade [1] by confirming it makes it obligatory, and can impose a fine on any employer whom its inspectorate finds to be paying wages at a rate lower. Any individual suffering from infirmity or physical injury may be granted a permit by the Trade Board enabling him to accept work at less than the regulation payment.

The years immediately following the establishment of the Boards served to allay much of the apprehension that had been felt. It is true that these were years of great prosperity, and that the higher rates could be more easily paid. But it is equally true that these higher rates would certainly

[1] Since 1917 the Ministry of Labour.

not have been paid had there been no machinery to enforce them. Enquiries into the chain-making and tailoring trades showed that earnings were higher and standards of living better; but that there was no evidence of a reduction in employment or of loss of export trade.[1] The system was extended and by the outbreak of war Trade Boards had been set up in eight trades covering a total of half a million workers.

No better illustration could be given of the impotence of unorganised workers to make use of a position in which (theoretically) they have the economic advantage, than the history of the agricultural labourers during the War. The demand for home-grown food of necessity rose by leaps and bounds and the scarcity of agricultural labour was everywhere apparent. Despite this, money wages rose very unevenly and reluctantly, and failed completely even to keep pace with the rise in the cost of living. And when the urgency of increasing food supplies led to a Government guarantee of prices to the farmers, it was felt impossible to leave the labourer any longer unprotected. Part II of the Corn Production Act 1917 set up an organisation based on the model of the Trade Boards. An Agricultural Wages Board with equal representation of farmers and workers and an additional number of appointed members was established. Similarly in each county or group of counties was formed a District Council on which sat at least one member of the Wages Board. It was the duty of the District Council to agree upon a wage, which the Board then confirmed. Unlike the Trade Boards there was mention of an actual figure for a minimum. It was feared that there might be considerable delay in fixing the rates, and a minimum wage of 25*s*. was established to act as a temporary protection to the worker during the period of initial negotiation. The Bill was introduced by Mr. Prothero (later Lord Ernle) who expressed little enthusiasm for the principle of wage boards, particularly for a large and varied industry such as agriculture; but he argued that wages

[1] See R. H. Tawney, *Minimum Rates in the Tailoring Trade* and *Minimum Rates in the Chain Trade*.

were too low and that workers were too weak to raise them without help. It was again the lack of the power to organise which made necessary the assistance of the State.

That the main objective of this wage legislation is the settlement of wages by agreement is confirmed by its subsequent history. Though the Boards continued to function during the War, many of them were temporarily superseded by wage orders issued by the Ministry of Munitions. Towards the end of the War considerable apprehension was felt. It was realised that very large numbers of women would be leaving their war-time occupations in order to return to their customary work, and it was feared that the dislocation consequent on this readjustment would be particularly favourable to a rapid fall of wages unless something was done to protect the women involved. At the same time the emotions aroused by the War had led to a great deal of discussion of the need for improved industrial relations in the new and better order that was confidently expected to emerge from the world conflict. There was general agreement that in future the workman must have a more dignified position in the industrial world, that he should be raised from the lowly place of a servant compelled to obey orders issued by authority, to the level of partnership with his employer. A sub-committee of the Cabinet Committee on Reconstruction [1] recommended that the best way to reach this end was strenuously to foster organisation, and urged that all matters affecting an industry should be settled by constant and regular discussion between the associations representing employers and employed. But their enquiry into the industrial relations in the various industries had revealed the fact that, whilst in one part of the industrial field trade union development had reached a very high stage, in others it was practically non-existent. Part of their recommendations, therefore, consisted of a suggestion that the Trade Board machinery which had been set up primarily to protect the mainly female workers of the sweated trades, should be extended to those in which

[1] Whitley Committee, 1917.

no effective organisation existed as a " means of supplying a regular machinery in those industries for negotiation and decision in certain groups of questions dealt with in other circumstances by collective bargaining between employers' organisations and trade unions." [1]

The outcome was that in 1918 two Acts were passed. The Wages (Temporary Regulation) Act stabilised wages during a short period immediately following the war. The Trade Boards Act empowered the Minister of Labour to establish a Trade Board in any industry in which there existed no adequate machinery for the effective regulation of wages, and if, having regard to the prevailing rates of wages, he considered such an application of the Act expedient. Immediate advantage of the new power was taken, and in the following three years fifty-two new Boards were set up. But their infancy was nothing like so easy and untroubled as was that of the original Boards. The year immediately following the War was coloured by a good deal of the emotional enthusiasm for a new and better world that had been generated during the time when the consciousness of a common tradition and a common destiny had been the dominant factor in the psychological atmosphere. But by 1920 the reaction began to set in. In the minds of very many people relief at the cessation of hostilities expressed itself in the desire to revert as soon as possible to " normal " ; and to them " normal " meant the good old times before the War. During the War necessity had compelled the State to undertake all sorts of economic activities that, before, it had left severely alone ; there was hardly any detail of economic life that had not been subject in some degree to Government control or regulation. And those who had been ready to accept this as part of the essential trammelling of an emergency period were now eager to shake themselves free of all restriction.

The employers in the trades that came newly under the Trade Boards Act were singularly inexperienced in any

[1] Evidence of Humbert Wolfe, C.B.E., before Cave Committee (see p. 118),

form of control, for as they were by definition unorganised they had not been accustomed to being called to account by even the trade unions. They were used to doing as they wished when they wished. If the new Boards had been established in a period of rising prosperity when demands for better wages could be fairly cheerfully conceded, they would probably have rapidly found acceptance as part of the negotiating machinery of the trades in the way they had done after 1909. But instead they all began their work at a period of rapid transition of the economic life of the country from a war to a peace basis, and just at the moment that there was beginning one of the most serious depressions in trade that the country has ever experienced. It was natural that masters who were eager to meet the first signs of slackening prosperity by the time-honoured method of a reduction in wages should be exasperated to find themselves no longer free to act. They had to make good their claim to the Board, which meant not only to representative workmen but also to the impartial appointed members. And, moreover, even when they convinced them and a lower rate was fixed, some time had to elapse before the new wage had legal sanction. It was not to be wondered at that falling profits and increasing unemployment were attributed to the meddlesomeness of the State, which refused to leave industry alone and allow economic forces to take their own course.

In order to meet the growing criticism the Government in 1921 set up an impartial Committee under the chairmanship of Viscount Cave "to enquire into the working and effects of the Trade Boards Acts, and to report what changes, if any, are required." The report [1] which was published in the next year is evidence of the tide of reaction that was sweeping over the country, and the desire to get back to the quiet haven of normalcy that seemed to be represented by the pre-War period. That the Boards had done excellent and necessary work in abolishing sweating there was no doubt. The employers' representatives of the industries that had been regulated since 1909 spoke warmly in their

[1] Cmd., 1645/1922.

evidence before the Committee in favour [1] of the principles even though they criticised the details of the machinery. They believed that the condition of the workers had improved, and that better relations and fuller understanding on both sides had been the result. But the Committee contended that a blunder had been committed by the Act of 1918, which by allowing a Board to be formed where there was no adequate organisation, had been taken as an invitation to use Trade Boards, not in order to prevent sweating, but as machinery for the general regulation of wages. And while they agreed that the exercise of State power was justified in the one case, it could not so easily be justified in the other.

It appears to us that while the coercive powers of the State, and particularly the criminal law may properly be used to prevent the unfair oppression of individuals and the injury to the national health that results from the "sweating" of workers, the use of those coercive powers should be limited to that purpose and that any further regulation of wages should be left as far as possible to the processes of negotiation and collective bargaining. It is one thing to say that an employer shall not pay to his adult worker a sum insufficient for his or her maintenance under the conditions of the time, be the sum 35*s*., 40*s*. or 50*s*. per week; it is quite another thing to provide that he shall not pay to a skilled worker of a particular class less than 70*s*. or 80*s*. or 90*s*. even though the worker is prepared to work at a lower wage, and that if he does so he shall be liable to fine or imprisonment. It may be desirable that the higher wage should be paid, and it may not be unreasonable for a trade organisation to insist on that wage being paid and to enforce its decision by economic means; but to compel the payment by threat of criminal prosecution appears to us to be an oppressive use of the powers of the State.

These conclusions are evidence of the apprehension felt by the Committee of the danger of the regulation of wages by a State-appointed body. When rates are fixed by agreement, they argued, the negotiations are carried on by people of experience who appreciate the penalty of putting their demands too high; whereas the appointed members who have the deciding vote on the Boards have no industrial

[1] Cf. evidence of Mr. David Little, Mr. Watts, Mr. Culrass, etc.

experience and are not personally involved in the dislocation caused by an unwise judgment. But it is doubtful whether this clear distinction between State-assisted and voluntary industrial negotiations can in fact be maintained. The evidence of the appointed members stressed the fact that most of the wage rates were agreed upon without their votes being recorded at all. For the most part their position was that of conciliators who might suggest to either side some point on which a compromise could be reached, with the added advantage that the knowledge that a casting vote could if necessary be given would induce all sections to be inclined to make concessions so as to avert a deadlock.[1] And the standards on which they judged of the fairness of proposed rates were the same as those that determine the willingness of trade unions and employer's associations to come to an agreement where voluntary collective bargaining is the rule. Criticism has very often been directed against the Trade Boards Acts in that nowhere is any guidance given to the Boards as to the principles upon which they should base the legal wage. But it is largely because no such official guidance is given that the Boards have worked so successfully. Different appointed members, when asked to state in evidence before the Committee what principles had determined them in their decisions, gave answers which seemed in their definition to vary widely from one another. As the committee in its Report complained:

> Some Boards have had regard only to the cost of living while others have taken into account the value of work done and the charge which the trade can bear. In one case we were informed that the minimum was taken to be the lowest wage payable to the least skilled worker in the cheapest living area covered by the rate; while in another it was defined as a wage sufficient to provide a young woman of 18 with means sufficient to enable her to maintain herself without assistance and to enable a man of 21 to contemplate marriage.

But the differences were not as wide as this seems to

[1] Cf. also evidence of Mr. Humbert Wolfe, Ministry of Labour witness, out of 58 sets of rates settled since 1920, 40 were entirely by agreement without appointed members voting.

suggest; they were rather differences of emphasis. The fact that in the majority of instances the rates fixed were reached by agreement points to the conclusion that the value of the work done, and the capacity of the trade to bear the wage, must have been determining factors in the employers' minds. Mr. E. H. C. Wethered, an appointed member to four Boards, summarised in his evidence the factors taken into account by the Boards of which he was a member—the nature of the work and the degree of skill and experience required for its adequate performance; the relation in which the class of workers concerned stand to other workers in the industry, or to other comparable workers in other industries; the wages paid in other comparable trades; the capacity of the industry to pay the rates proposed; the cost-of-living index figure. But this is exactly the same complexity of forces which lies behind any wage agreement voluntarily negotiated. The fact is that there are no generally accepted principles of wage settlement to which all would equally subscribe.[1] There is a general feeling that every worker ought to receive enough to provide subsistence at the standard accepted by the community as the minimum for health and efficiency, that the standard should be raised whenever possible, and that the necessity to pay such a wage acts as a stimulus to the more backward employers. There is also general acceptance of the view that more skilled workers should receive remuneration in proportion to their ability and training. At the same time there is the realisation that the economic conditions of an industry are continually fluctuating, and that the capacity of a trade to bear a certain rate at a particular moment must be taken into account. It is doubtful whether the parties to a voluntary collective agreement would ever be able to state definitely the deciding factors which had determined the rates that finally had been settled.

There seems, then, very little real difference between the method of settling wages by voluntary negotiation and by

[1] Cf. R. T. Rankin, *Arbitration Principles and the Industrial Court*, for an analysis of the principles underlying arbitration settlements.

a statutorily established representative body. Nor can the fact that Trade Boards rates have legal sanction be taken as differentiating them in any marked sense from collective agreements. It is rare for voluntary agreements to be disregarded by either side even though no legal penalty is attached to so doing. Long experience has proved the value of abiding loyally by agreement, and the organisations on both sides act as an unofficial inspectorate. But in those industries where Trade Boards have been set up, there is neither the tradition nor the organisation to ensure that agreements are maintained. And just as State assistance is necessary to establish the machinery by which agreements can be negotiated, so is it equally essential to prevent the agreements being evaded.

The recommendations of the Committee were to the effect that, in future, Trade Boards be set up only in those trades where wages are unduly low, and that legal sanction be given only to the minimum rates fixed. Boards might, of course, discuss rates for grades above the minimum; but in fixing these the appointed members should have no power to vote, and the agreements should not generally be given the force of law. The Report met with a considerable amount of approval from a country that was already beginning to feel disillusioned and impatient of everything that reminded them of war-time organisation. The Trades Union Congress and the Labour Party issued a joint memorandum criticising the recommendations, and insisting on the importance of securing proper facilities for collective bargaining to all workers. But greater support went in favour of the view expressed by *The Times* [1] which congratulated the Committee on calling a halt. The opposition was sufficient to prevent the passing into law of the Bill introduced in 1923 embodying the recommendations, but the Government issued a statement of its future policy [2] in which it announced that no further Trade Boards would be established unless public enquiry showed that exceptionally low rates of pay were the rule. But already interest

[1] Future of Trades Boards, April 24, 1932.
[2] Cmd. 1712/1922.

in the subject was waning. The profound depression in trade, the serious resulting unemployment, and the problem presented by the vagaries of erratic monetary systems, took precedence of all else. The newly regulated trades became gradually accustomed to the existence of the negotiating machinery. But the reaction of the immediate post-War years was sufficiently strong to prevent any new Boards being set up until 1932, and even then only in two very small trades in which employers and employed jointly asked to be brought under the Acts.[1]

The wave of reaction that threatened the Trade Board structure was sufficient to sweep away entirely the legal regulation of wages in agriculture. By 1921 the guaranteed price of certain crops to the farmers was proving too expensive a burden to the Government and the Corn Production Act was repealed. When Mr. Prothero had introduced the Bill in 1917 he laid great stress on the intention of the Government to consider the two parts as distinct and unrelated; that is, that an Agricultural Wages Board was suggested not because it was proposed to give a bounty to the farmers, but because labour was, even in peace-time, weak and underpaid. But the general trend of the debate at that time showed that the vast majority thought of the two together, as one justifying the other. When therefore the Government decided to discontinue the bounty to the farmers it was felt that justice demanded the discontinuance of wage-regulation. The Wages Board and District Councils were abolished, and in their place there was established a system of district Conciliation Committees, which were urged to make voluntary agreements, which might, if the Committees desired, be given legal force by confirmation of the Minister of Agriculture. The Conciliation Committees gave further proof of the inadequacy of voluntary agreement in an unorganised trade. The agricultural labourer is not in a free position. The worker who lives in a cottage that is owned by his employer is bound and helpless beyond the ordinary. The isolation of the typical agricultural labourer and the

[1] Fustian and cutlery.

undemocratic atmosphere of most rural areas make collective action almost impossible.

> Forty years' experience [said Mr. George Edwards, a leader of the agricultural labourers] has convinced me that the labourers cannot get a living wage by trade union methods alone. The difficulties of organisation are so great that we cannot get our organisation strong enough to enforce it.[1]

And certainly the failure of the Conciliation Committees went to confirm Mr. Edwards' experience. By 1924 although there were 63 committees in existence, only 13 of them had agreements in force, and at no time had more than 11 agreements been legalised. The short period in office of the first Labour Government, which was naturally eager to retain the increased State protection of the standard of living that the War had brought, made it possible to re-establish legal collective bargaining. By the Agricultural Wages (Regulations) Act of 1924 an Agricultural Wages Committee composed of farmers, workers and appointed persons was set up for each county, with the duty of agreeing upon a wage which would be legally enforceable. That here again the principle of statutory collective bargaining was being adhered to was shown in the speech of Mr. Noel Buxton, Minister for Agriculture, in moving the Second Reading. He knew, he said, that disappointment would be expressed that no fixed figure of a minimum wage appeared in the Bill, but he argued that it was impossible to fix a figure when prices in the industry were continually changing. There is here implicit the belief that the wage must be based on the capacity of the industry, and that this was continually altering with varying economic conditions.

There has unfortunately been no comprehensive survey of the unorganised industries to enable us to gauge accurately the effects of the Trade Boards, nor to estimate exactly how far they have been instrumental in solving the problems with which the reformers of the early part of the century were confronted. For example, has regulation pushed industry out of the home and into the factory where the employer can be held responsible for conditions of work,

[1] Quoted by Mr. Noel Buxton, *Hansard*, June 2, 1934.

as the early advocates of reform hoped it would? Have the regulated trades proved to be capable of paying higher wages without serious unemployment? To what extent has machinery been introduced to replace the sweated worker? Has sweating as defined by the Lords' Committee of 1889 in fact disappeared? To none of these questions can authoritative answers be given; but it is possible to get an impression from scattered evidence.

Of the number of homeworkers engaged in industry it is difficult to get accurate knowledge, for the lists of outworkers which it is incumbent upon a factory occupier to keep are very imperfect. Very often names are kept on long after the worker has ceased to be given any work to do, and many workers appear on more than one list because they work for short periods for several employers.[1] An investigation made by the department of the Chief Inspector for Factories in 1925 led to the general opinion that the number of homeworkers was on the decrease in all regulated trades except tailoring. Various causes were suggested to account for this. The depression in trade led to general unemployment, and as outworkers were usually part-time it was natural to turn them off first. But there was no longer the same advantage in employing the outworker even when trade was brisk. They had earlier kept their place because of their cheapness; they needed no space at the employers' expense; they provided their own tools; their wages could be constantly lowered without meeting any resistance. But now things were different. The invention of new machinery and the cheapening of power gave the employer an impetus to produce more in the factory, and as the wages of the out-worker could no longer be forced down, the advantages which might otherwise accrue to the employer disappeared. There were, too, fewer women who were anxious to do industrial work at home. Social ideas had changed. At the end of the nineteenth century, employment in a factory still seemed to many to be unsuitable for a respectable woman, and many a woman who was compelled to earn shrank from

[1] Report of Chief Inspector of Factories for 1925, Cmd. 2714/1926.

the rough contacts she would be forced to make if she undertook it. Thirty years later the balance of advantage is reversed. Life in a factory offers opportunities for making friends, for fixed hours of work, and, therefore, for guaranteed hours of leisure, for the stimulus given by the streets through which the journey to and from work is made. Work in the home, on the other hand, seems lonely and monotonous nowadays. The development, too, of better and cheaper means of communication makes it much easier than it was for women to get to the factory and still have time for the essential domestic duties.

A similar enquiry made some years later confirms these impressions. The Annual Report [1] for 1932 of the Chief Inspector of Factories gives a numerical estimate of the decrease in the numbers of out-workers in many Trade Board industries. In the Nottingham lace trade, for example, which before the War had found employment for from five thousand to six thousand homeworkers, there were in 1926 only 880 and in 1932 only 532. The Cradley Heath chain-makers working at home had dropped from 979 in 1925 to 380 in 1931. Carding and boxing had become practically entirely a machine-factory industry; and so on. On one point the inspectors were agreed—that is, upon the great improvement in the cleanliness of the homes where industrial work was still carried on.

There is, fortunately, one industry in which it is possible to get a fairly complete comparison of the state of affairs now and thirty or forty years ago. The clothing industry —which includes tailoring, dressmaking, hat and cap manufacture, shirt and tie making, etc.—is the industry with which the evils of the "sweating" system were peculiarly associated. It was the revelations of the conditions of this industry in London and Leeds that did more than anything else to rouse public indignation to the pitch of demanding drastic reform. Thirty per cent of the industry is carried on in London and has been the subject of a comprehensive enquiry for the *New Survey of Life and Labour in London*. So that in this, the biggest and most

[1] Cmd. 4377/1933.

important of all the regulated trades, a comparison of present with early conditions may be based on adequate data.

This recent enquiry shows that the growth of the factory system in the last forty years or so has been remarkable but unequal. In tailoring the small unit still predominates and the number of homeworkers is very large, varying between 3,500 and 5,000. In dressmaking and millinery, on the other hand, the factory system is fast gaining ground, and the number of homeworkers rapidly decreasing. Bespoke tailoring lends itself particularly to outwork because it is still highly skilled and requires the trained craftsman rather than the machine worker. Tailors' shops have to be situated in main streets or in exclusive shopping areas, where rents are heavy, and the space for a big workroom would be a serious item in costs. It is usual, therefore, for the garment to be cut and fitted in the shop but to be made up by a journeyman who rents a "sitting" in a workroom in a cheaper area. But these outworkers are not the poverty-stricken, down-trodden workers of the earlier generation. They are mostly skilled craftsmen who prize their traditional freedom from the restraints of the factory, and who prefer to work thus, with the assistance of two or three less-skilled (often female) workers. They can earn very high wages in busy periods; but, of course, the trade is a highly seasonal one, and earnings are subject to great fluctuations. The women homeworkers are not so skilled. Their work consists mostly of the machining and finishing of garments, and their earnings naturally show very great variations. But here, too, the miserable sweated worker has disappeared. The average woman homeworker in this trade is a married woman of middle age, whose husband is in regular employment earning £2 or £3 a week. They undertake the work in order to supplement the family income, to provide the comforts and amenities which otherwise would be out of their reach, and their contribution varies from 15*s.* to 22*s.* 6*d.* a week according to the time they give to this work. In the case of single women who are dependent on what they make, their work is generally

of the more skilled nature and their earnings usually over 25*s.* a week. In 1906 the enquiry made by the Board of Trade into Earnings and Hours showed that a skilled man tailor made 42*s.* 9*d.* for a full week of 56½ hours and a skilled woman 16*s.* 2*d.* In 1930 the Trade Boards rates ensured a wage of 82*s.* 6*d.* for a man and 42*s.* 9*d.* for a woman for a week of 46½ hours.[1] In the dressmaking and underclothing sections of the industry 95 per cent of the employees are women and girls. There are still about a thousand homeworkers, mostly middle-aged women, whose earnings vary between £1 and £2 according to the time devoted to industrial work. They are often unemployed, as they constitute the reserve for busy periods rather than the regular workers. For in this section mass-production with power-machines in big factories is becoming the rule. To what extent the regulation of wages has accomplished this it is difficult to judge. It is probable that it has played some part in convincing employers of the lower costs to be achieved by introducing machinery and maintaining well-equipped, well-supervised factories. But there is little doubt that even more important factors have been the change in fashion in women's clothes and the general tendency towards the increasing mechanisation of production. In the last quarter of a century ready-made clothing, from being the exception for the middle-class woman, has come to be the rule. Styles are simpler, machines better; and the ready-made garment is almost as well cut and very much cheaper than the made-to-measure article. Again women are no longer prepared to spend so much time in the wearisome business of "fitting" and "trying-on"; they prefer to buy clothes which they can see complete instead of taking the risk of deciding beforehand which style suits them. The same marked tendency is found in other countries, e.g. U.S.A. and France, where no wage regulation is in force.[2] The average wage for the factory worker in 1930 was 39*s.* a week. Allowing for the change in the value of money this shows a rise in

[1] *New Survey of London Life and Labour*, Vol. II.
[2] Cf. D. Sells, *British Trade Boards System*, Chap. V.

real wages of about 40 per cent. The same increase is shown in the shirt- and tie-making branches of the industry. Here again the women predominate ; they constitute about 90 per cent of those engaged in the trade. They are mostly employed in factory work, but about 500 still work in their homes on tie-making. At the end of last century this work was largely in the hands of elderly women, earning from 1½*d.* to 4*d.* an hour according to their skill and dexterity. The Trade Board rate is now 7*d.* an hour.

The general impression gained is that real wages have gone up in all sections of the industry. The rise has been more marked in relation to women than to men. This was to be expected, since sweating was more common amongst the less skilled and completely unorganised women workers than amongst the men. Homework has apparently decreased except in the bespoke tailoring branch, and machine-production is taking the place of handwork. But both this and the decline of certain parts of the industry are probably due more to changes in fashion than to the regulation of wages. The artificial flower-making trade, for example, is gradually disappearing. There used to be a big demand for its products for millinery trimmings, but the fashion in hats is now very much simpler than it used to be, and artificial flowers are no longer required for this purpose. The comment in the *New Survey of London Life and Labour* is here very apt.

> There is no ground for supposing that the increased wage rates fixed by the Trade Board have been a serious factor in the decline. The effect of minimum Trade Board rates has been to hold up wage rates in the case of the smaller number of work people for whom employment is still available and prevent any attempt to preserve declining industries by depressing wage rates.[1]

That the Trade Boards have had a positive effect in raising and maintaining the standard of living of a very depressed section of the population can be seen by comparing the situation in the regulated trades with that in industries employing equally unorganised workers but not

[1] Vol. II, p. 337.

coming under the jurisdiction of a Trade Board. The Boot and Shoe Industry is for the most part a highly-organised factory industry, but in London, particularly, a large section of the industry is carried on on a small scale by makers specialising on certain lines of goods. The making of light slippers and children's shoes does not necessitate the use of machinery, and a great deal of this work is still carried on in small unorganised workshops. The majority of the workers are married women and men who are too old or too infirm for factory work, and children who can get jobs as long as they are cheap. The trade is in the hands of a large number of small working masters, and the general conditions are the same as those to which the term " sweating " used to be applied. These conditions are not found in the industry as a whole, but only in this particular " bad end " which forms a very remarkable contrast to a trade in which one would have expected similar conditions, i.e. the Boot and Shoe Repairing Trade. In this latter section however a Trade Board was set up in 1919, and the male minimum time rate of wages is 57*s.* a week.

In the wood-working trade, again, whilst machinery and fairly large scale production have invaded the majority of branches there are still many small businesses in which articles of furniture are made in workshops and hawked round the dealers. The employees of these businesses are still very near the poverty line. But the number of such trades is few. Before the post-War reaction against State regulation had had time to take effect, a sufficiently large number of Trade Boards was set up to be able to deal fairly extensively with the industries in which poverty due to low wages was the rule.

It is evident [says the Director of the *New Survey of London Life and Labour*] that " sweating " in the sense used in Charles Booth's evidence has ceased to be a " major cause " of poverty in East London, and it is certain that the Trades Board Act has played an important part in the transformation that has taken place.[1]

[1] Vol. III, p. 22.

CHAPTER IV

LOSS OF INCOME

I. ACCIDENT: SICKNESS: ORPHANHOOD

I

THE keystone of the nineteenth century was the middle class. In the economic world the decisive power was in the hands of those who by thrift and self-help had evolved from the condition of small master to the condition of factory owner. This economic supremacy was supplemented and consolidated when the Reform Act, 1832, gave the middle class the means of expressing its social philosophy in political terms; and so by a double imposition the ideals and the values of the middle class came to dominate the nineteenth century. They were largely those of the self-made man conscious of his virtues of perseverance and determination, justifiably proud of what he had accomplished, and a little contemptuous of those who had failed to get on. The first article in his creed was a high regard for success, and in his attitude there seemed to him nothing ignoble; for he believed that success was the just and natural recompense of the man who had learned how to serve others and upon whose enterprise and assiduity the progress of the community depended. With the zeal of the covenanter he proclaimed his iron gospel of hard work and promised damnation to the idler and the spendthrift. Through nineteenth-century teaching there runs what in these days we should call the theme song of Satan Finds Some Mischief Still For Idle Hands To Do. The main objective of the schools was to teach first, piety, and second, industriousness, and these values continued to dominate the actions and adult purposes of life. The model citizen was one who would live sparingly and would throw all his

energies into labour, so that by saving as much as possible of what he got he might provide for future eventualities and make economic progress possible. For the potency of this ideal was its harmonisation of the motives of private profit and social benefit. Men were bidden to work and accumulate not solely for their own needs but because the welfare of society required it. The duty of saving became nine-tenths of virtue and was preached with religious fervour.

There was a domestic side to this ideal. In earlier and simpler economic systems the economic unit and the social unit were the same. Domestic industry, like the small farm, was a family affair in which one could not separate the breadwinner from the bread-eater. But when work left the home for the factory and mill, the line of demarcation between producer and consumer became more exact, and the conception of the family as economically dependent on the head of the household more common. It was thus essential for man to strive to advance not for his own individual ends but for the sake of the family that depended on him for their very subsistence. Actions that might be considered selfish if his individual gain alone had been the objective, were rendered moral and virtuous by the urgency of family claims. The family became at one and the same time the breeding ground and nursery of all the social and economic virtues, and the means whereby the citizen was kept in the narrow path of duty and industry. The instinctive love of one's children and the strong inculcated sense of complete parental responsibility were called to each other's aid to insure that the work of the world be done. Mrs. Bosanquet very well represents this point of view which may be taken as the accepted one of the last century.

> Nothing but the combined rights and responsibilities of family life will ever rouse the average man to his full degree of efficiency, and induce him to continue working after he has earned sufficient to meet his own personal needs. Moreover, it is, speaking generally, the only agency which will induce him to direct any considerable amount of his income from the gratification of his own personal needs to meet the needs of those who are unable to provide for their own. The family, in short, is from this point of view, the only known way of ensuring with any approach

to success, that one generation will exert itself in the interests and for the sake of another; and its effect upon the economic efficiency of both generations is in this respect alone of permanent importance.[1]

Or again,

The man who has a family dependent upon him is likely to be a far more productive member of Society than the man who has only his own needs to consider. The children supply a motive power to the parents which few other interests are strong enough to afford to the mass of mankind; while the parents supply the material, both physical and moral, for the life of the children.[2]

It was for this reason that anything which might reduce the dependence of the family on the breadwinner was looked upon with such apprehension. For if the sense of responsibility for the economic well-being of the rest of the family was once allowed to weaken, from whence would come the stimulus to the untiring effort, the ready initiative and the willingness to sacrifice that were the essentials of material progress?

No man, [says Mrs. Bosanquet] will share his burdens with the State. The partnership is too unequal. The strength of the State is so incomparably greater than that of the individual, that if the State acknowledges any responsibility at all, the conclusion almost inevitably follows that then it should assume the full burden.[3]

Nothing is so easy as to undermine this sense of responsibility and draw the very sap out of a man's life. There are immense reserves of indolence in all of us; and if once a man loses faith in himself, if through much repetition he has been made to believe that the responsibility he has assumed is greater than he can meet, then the mainspring of his energy is broken. He will become indifferent, careless, a poor worker, and actually incapable for want of motive power.[4]

There has probably been no time in which the Home as the Sanctuary of the Family has played a larger part in the moral code of the community. The ideal family was no

[1] H. Bosanquet, *The Family*, pp. 222–3.
[2] H. Bosanquet, *Strength of the People*, p. 189.
[3] *Ibid.*, p. 200.
[4] *Ibid.*, p. 209.

narrow conception ; it comprised all those who were bound together by common ties of blood, by shared associations of childhood, by common memories and traditions. The most direct responsibilities were those of parents and children ; the one to maintain and guide the other in youth, and in return to anticipate help, tenderness and sympathy in their declining years. But if for any reason this natural relationship was broken, brothers, sisters, cousins, aunts and uncles were expected to step into the breach. This ideal of close family bond had its moral as well as its economic side. The success or joy of one member brought happiness to all ; but similarly the degradation of one cast its shadow over all. If one member of the group strayed from the path of respectability, public opinion did not confine its condemnation to him alone but extended it to those who should by their guidance or assistance have prevented his conduct.

It was an ideal which contained much of nobility. It stressed the social claims ; the obligations of a man to think of others than himself, and the necessity to subordinate his selfish desires to the needs and interests of a wider fellowship. It recognised that the majority of people have neither the imagination nor the delicate sensibilities to respond very actively to the rather remote and abstract demands of a universal brotherhood, but that the necessities of those to whom they are bound in this peculiar and special way of kinship may have an appeal which calls forth heroic qualities of perseverance, endurance and self-sacrifice. But there was a less attractive side to it. To rely too completely on the development of these qualities, and on the readiness and ability of the family to meet the needs of its members, might lead to much suffering, and finally even to the very destruction of the community itself. Parental love will undoubtedly lead most parents to do the best for their children according to their lights, but there is no guarantee that their lights shine as brightly and clearly as they should. For example, only a small minority of exceptional people recognise the value and importance of a good education unless they have themselves had the opportunity of it. Yet an educated population is an essential of a good community.

If the guidance of the young is left entirely to the choice of the parents, it is unlikely that an uneducated generation will make the necessary sacrifices to provide for their children something that they themselves have not learned to value. The problem created by such a situation led inevitably to the State's decision to over-ride the wishes of the parents in this respect.

But even when parents recognised as fully as the State the things their children needed they might be incapable of providing them. If a man was out of work and had failed for some reason to make the provision for such an emergency that public opinion expected of him, what was to be done? Must the children be left to starve so that the sight of their sufferings would induce him to be more careful in the future? There were some who insisted that, drastic as it might appear, it was the kindest and the wisest in the long run; for the man who had the results of his own incapacity to meet his obligations thus brought vividly home to him would be nerved to greater efforts to work harder and be more thrifty and far-seeing in the future. But a community which held rigidly to such a view must be prepared not only to permit the sufferings of the innocent at the moment, but to recognise that the next generation of adults would grow up with impaired health and efficiency. Could a generation which had been under-nourished and inadequately trained in its youth be expected to develop such economic efficiency as to enable it to maintain and care for its own children in the way Society expected? Thus, apart from justice and humanity, the question naturally arose: How far is it economic to use the sufferings of dependents as a scourge to keep the citizen in the narrow path of duty?

But even if the individual is thrifty and far-seeing it is impossible for him to provide for every eventuality that may befall humankind. Even if he attempts to foresee all the normal vicissitudes of life, there remains still the unpredictable and incalculable. At what point, then, can a man's individual responsibility be said morally to end? Where can the line be drawn between needs for which the man or

the family must make its own provision and those for which he can rightly demand help from Society ? It is the supreme difficulty of giving a categorical answer to these questions that has made the question of the right relation of the State and the destitute a battlefield of bitter hostilities. It presents a problem which is more intricate than those dealt with in earlier chapters. It is true that helpless old age is merely one form of destitution, and, as has been shown, it could be argued that for the State to provide for the aged would result in a loosening of family ties and a weakening of individual endeavour. But the aged make a special appeal to sympathy and kindness, and as they form a well-defined class State provision for them is administratively simple. The position of the sweated workers, again, was one that offended the sense of justice. For the State to extend to them its protection could be considered as a means of helping economic forces to work without friction, rather than as an external interference with such forces.

But the man of working age who is without the necessary means with which to support himself and fulfil his social obligations presents an entirely different problem. And it is here that there emerges the serious conflict of ideals, a conflict which finds expression in different practical policies, but which is in reality the rivalry of two opposed sets of social values. On the one hand is the conception of the independent individual, responsible for himself and his family, left to fight his own battles and forge for himself a way out of entangling circumstances ; on the other is the idea of the fostering community, guarding and protecting its members. The first thinks of man as " master of his fate " : the second views him as the victim of social forces beyond his individual control. The antithesis here has been unduly simplified, for there is nowhere seen a greater confusion of thought, and the boundary lines between supporters of different policies are not so clearly drawn. Rarely, if ever, of course, is legislation the practical embodiment of a deliberately conceived political philosophy. Men act first and think later. For the most part movements in the commonly accepted political principles of a people represent merely the

rationalisation of changes that have been dictated by the opportunism of immediate necessity. But in this matter the changes have recently been particularly rapid, and few people have yet had time even to realise the new principles implied in them. The difficulties of the post-War period have compelled Governments to undertake measures, and the community either to demand or to accept them, of such a nature as would hardly have been dreamed of in easier times. Little of this social legislation has represented the embodiment of reasoned principles; it has been mostly a harassed improvisation to deal with serious and pressing evils. But the forms that these attempts have taken are themselves indicative of this conflict of ideals.

The battle has not raged with equal force over the whole field. Some of the obstacles with which the individual is confronted in his effort to maintain economic independence appear, on investigation, to be of such a nature that the wage-earner could not with justice be expected to surmount them unaided. For example, a serious accident puts an end to a man's powers of earning a livelihood. But in modern industry most men work under orders. The tools with which they work, the machines they use, the source of power, are none of them matters in which they can exercise their own judgment. They may therefore suffer injuries, both physical and financial, which are due to the errors or the negligence of their employers—and in such a situation have an obvious claim to be spared at least the financial part of the burden.

Other emergencies present problems of such magnitude that no amount of taking thought for the morrow can enable the individual to provide adequately for them. Sickness unfortunately, is not uncommon. Every worker must anticipate the probability of being occasionally prevented by illness from earning. But it is sufficiently rare for anyone to be incapacitated for a very long time, or to be permanently disabled, for those with small incomes to be justified in taking the risk of not saving a sum large enough to yield an income adequate to meet such costs: justified, of course, because the laying aside of such an amount would so dras-

tically reduce the current standard of living as to lead to impaired health at the moment in order to provide for the vague possibility of ill-health in the future. Again, the normal expectation of life allows the young man to marry and beget a family in the hope that he will be alive to provide for his children until they are old enough to be independent. There is, of course, the possibility that he may die young. But the man who starved his children in order to save every penny to provide for their future, on the off-chance that he might die before they reached working-age, would be rightly considered to have a very distorted idea of social values. For the young father the choice is definitely between feeding his children properly now, or saving for a problematical situation which is very unlikely to occur. His wage does not admit of the possibility of doing both. No amount of insistence on parental responsibility for all the needs of the family alters this fact.

The better understanding of the nature of these handicaps to the maintenance of complete independence has led to the building up of a framework of social organisations, which has been opposed only by those to whom any change is an unwelcome revolution. Controversy has centred here round the method rather than the need for such provision. And the gradual erection of a social scaffolding to support the family when the breadwinner is dead or incapacitated has served to expose more clearly the most serious and controversial problem of all, i.e. the position of the able-bodied man who for some reason finds himself unable to maintain himself and his dependents on the minimum standards that the community demands.

This chapter will deal very briefly with the social provision for the disabled, the sick and the orphaned; and a later one will discuss the interesting and more difficult problem of the able-bodied.

The methods that have been evolved for protecting the incapacitated represent no clearly-formulated policy, except that of calling upon the State to do what experience seems to show the individual to be incapable of doing for himself. The problems have been attacked at such times as those

who had most interest in them came to have more political power, or when they became so acute as to force their way into public attention. The remedies display, therefore, little uniformity. Before the present century the only matter to which practical politicians were prepared to give serious attention was the position of those who, on account of an industrial accident, were unable to meet their family obligations. And here the stress was laid on the injustice involved in leaving a man to bear the financial loss of an accident for which he was not responsible, rather than on the social necessity of maintaining the standard of life of the family that had thus been rendered destitute. But the emergence, in the early years of the twentieth century, of the Labour Party as a political force to be reckoned with, completely changed the conception, and brought with it a new social emphasis. And at the same time the rise to power of the Liberals offered an opportunity to embody the new ideas in law.

When the dreary progress of the Boer War had brought the Conservative Government, the apostles of Empire, into disrepute, and when Chamberlain had discovered that not even *his* brilliant oratory could win converts to Tariff Reform amongst the audiences of the industrial North, where Free Trade was an article of religious dogma, the long-established dominance of the Conservatives came to an end. The election of 1906 gave authority to the Liberals, who differed from their predecessors not only in Imperial affairs, but also in their greater readiness to invoke the help of the State in the protection of the weaker sections of society. They entered upon a rapid series of legislative experiments. The years from 1906 to 1911 saw the foundation of practically the whole of that social scaffolding to which reference has already been made. Old Age Pensions provided a modest subsistence for those too old to work; the Trade Boards Act began the abolition of sweating; Workmen's Compensation was extended to cover all industries; Labour Exchanges attempted to bring some degree of organisation into the labour market; and, most important of all, the National Insurance Act introduced what has come to be the

characteristic method employed in the endeavour to preserve the minimum income of the worker's family during the normal vicissitudes of life.

It is doubtful whether the Parliament which assembled in 1906 would have moved as rapidly as it did had it not been for the gingering influence of the new Labour Party. During the last two decades of the nineteenth century the Independent Labour Party and the New Unionists had been trying to convince the trade union world of the necessity for a separate political party of their own. But the majority of the trade unionists, whilst anxious to have working men in Parliament as spokesmen on their special interests, were content to remain in the Liberal fold, and were only slowly and reluctantly being persuaded to this point of view. It was the action of the House of Lords in 1901 which did more than all the persuasive propaganda of the socialists to bring about the desired end. By their decision in the Taff Vale dispute, the Lords laid down that, contrary to the established belief of a quarter of a century, damages could be demanded from a trade union for the unlawful acts of their members in an industrial dispute. The trade unions, faced with bankruptcy, became convinced that independent political organisation was essential to their safety; but even their success in getting their man to the top of the poll in several bye-elections did not prepare the country for the astonishing result of the 1906 election, when the Party found itself with 29 members in the new Parliament.

The advent of the Labour Party brought a new spirit into politics. Not that they were definitely socialist; in fact the majority were certainly not so, and for that reason the name "Labour" was chosen. But they came with a new purpose, a new determination. The earlier representatives of the workers had been good, honest, respected men, of real, if limited, value. When matters affecting the daily life of the worker were under discussion they could speak with first-hand knowledge born of their own experience. But they were no more concerned with the fundamentals of social organisation, or the remedies for poverty, than the

Liberals to whom they attached themselves. And although after 1901 there were several men of a different, and more independent spirit, they were too few to alter the general tone.

Mr. Crooks, for example, in the last Parliament [wrote C. F. S. Masterman, an accurate observer], made quite a number of speeches, enlivened by humorous and pathetic anecdote, concerning the hard life of the poor. Most of those who heard him in Parliament wept. Members of both parties would walk across afterwards and shake him warmly by the hand. Nothing particular was done. There was no obvious reason why anything should be done. No one expected that anything would be done.[1]

But the new Party was aggressive and assiduous; they insisted that some serious reforms be undertaken. With the Liberals they were anxious for peace, for electoral reform, for curbing the power of the House of Lords and so on; but they were even more concerned about finding work for the unemployed, food for the workers' children, and pensions for the aged. Though the greater part of the new Party's organisation and finance were derived from the trade unionists, its dynamic of policy came from the Independent Labour Party. But the Independent Labour Party preached that capitalist society was radically wrong, that the poverty-stricken worker was the victim of evil social forces, and that the State should make provision for the sick, the orphaned and the unemployed. Though so small a Party must remain for long a minority, it was sufficiently big to make its presence felt, and it was largely owing to its presence that the social question began to dominate the scene. Or as Masterman summed up the first two Sessions of the new Parliament—" realities have crashed into the activities of politics." [2]

II

Interest in the " social question " was stimulated and kept alive by the results of the investigations of the Royal Com-

[1] " Liberalism and Labour," C. F. G. Masterman, *Nineteenth Century*, Nov. 1906.

[2] " Politics in Transition," C. F. G. Masterman, *Nineteenth Century*, June 1908.

mission on the Poor Laws and the Relief of Distress,[1] whose two reports, representing, as they did, widely divergent philosophies of life, roused bitter controversy. The Poor Laws, which the Commission were called upon to examine, dated from 1834. They were based upon the old Individualist doctrine that each man is master of his fate, and that therefore, those who are unable to support themselves are to be punished rather than pitied. It was taken for granted that everyone could make a living if he was prepared to make the necessary effort; and, whilst the public conscience would not allow even the undeserving to starve, the law tried to force men to face their responsibilities, by offering a very meagre and unattractive type of assistance to those who demanded help. For this reason it was forbidden for able-bodied persons to be granted domiciliary relief; they could be provided for only in workhouses.

It was never possible to keep with absolute strictness to the principles of the Act. The realisation of the wide divergences in capacity, needs and worth of the individual applicants, and the growing understanding that there were many objective facts beyond the control of the applicants that accounted for their destitution, led often to a leniency in administration, that the originators of the Act would have deprecated. In fact, where the administration was strict, there was a tendency for private charity to try to mitigate its harshness by, usually, indiscriminate almsgiving. It was in order to prevent the spread of this destructive type of charity, that the Charity Organisation Society [2] was founded, so as to provide some more constructive and generous treatment for those cases that were not suitable for Poor Relief. And on the grounds that they were there to see that no really deserving person went unhelped, they advocated the strictest adherence to the principles of the 1834 Act on the part of the officials.

There was one class of those in distress, however, for whose relief a deterrent form of public assistance was obviously inappropriate, and who could claim something more than charity,—those men injured in the course of their

[1] Cd. 4499/1909. [2] See Chap. I.

industrial employment. Already some attempt had been made to ameliorate the injustice of their position. For, despite the natural expectation that a man who is hurt as the result of another's negligence, can reasonably expect some compensation for the injury and the consequent loss of income, the law relating to this matter had got itself into a very anomalous condition at the end of the last century.

According to Common Law an employer could be held liable for injuries to his workmen that were caused either by personal negligence or by lack of proper care being exercised in the choice of servants, machinery or methods. This was sufficient safeguard when industry was carried on on a small scale, and it could be supposed that the employer was personally in touch with, and aware of, all that went on in his business. But with the increase in the scale of the industrial unit, the employer gradually grew more remote and was represented by foremen and managers, so that it was difficult to fasten personal responsibility on to him. And workers who were injured found themselves compelled to invoke the legal principle that a master is liable for the actions of his agents committed in the exercise of their duty. The Courts, however, decided in 1868 that this could not be upheld in the case of a servant, on the grounds that a worker, in accepting a job, entered by implication into a contract to take on all the risks associated with the employment, including negligence on the part of fellow-servants. This principle which was known as the " Doctrine of Common Employment," unjust as it can easily be seen to be, was upheld on the ground that the legal liability of employers for their workmen's injuries would be a check to the investment of capital and the development of industry.

The objections to it were many and obvious. Workers and masters never do in fact enter into any such a contract, implied or otherwise, and it is absurd to build a doctrine on the supposition to the contrary. The workman by this fiction was placed in a decidedly worse position than that of the stranger. If, for example, the carelessness or lack of skill of an engine-driver caused a railway accident, every passenger who was hurt could claim compensation from the

company, but the driver's fellow-employees, the injured stokers or guards, had no claim. Even as between employers the doctrine was unjust. The small employer working with his employees could be held to have personal knowledge of all that was done and therefore to be responsible for any accident; the larger employer went scot free, and as no responsibility could be brought home to him the inducement to precaution and safety in his works was much reduced.

The state of the law caused much bitter feeling among the workers and many bills to improve it were unsuccessfully introduced by Thomas Burt who was one of the Parliamentary representatives of the trade unionists. The trade unionists were not alone in their criticism. General opinion was concerned with this injustice and in 1893 Asquith introduced a measure to abolish the doctrine of Common Employment, based on the principle that "where a person on his own responsibility and for his own profit sets in motion agencies which create risk for others, he ought to be civilly responsible for what he does." He further argued that whilst the employer may justly claim contributory negligence on the part of the worker he could not maintain acquiescence on the ground that the workman knew of the danger and yet continued his work. There was general agreement with this principle; but the opposition felt it did not go far enough. For even the abolition of the Doctrine of Common Employment could not fully meet the case. As Joseph Chamberlain pointed out,[1] this would provide for compensation only when the injury was due either to the action of the employer himself, or the negligence of a fellow-servant. But he collected figures to show that only about half the accidents that take place can be ascribed to these causes. The others are due to what the law calls "Acts of God," that is, pure accidents, not due to lack of foresight nor to carelessness; as, for example, the fall of a roof in a mine, or a boiler explosion. But, whatever the cause of the accident, the family of the injured need help; and though it is impossible to say that

[1] Parliamentary Debates, 1897, Vol. 48.

the employer is morally liable for something which he could not have prevented, yet on the ground of expediency it was best to put the burden on his shoulders. He upheld the view " that the right to compensation of any person injured in the ordinary course of his employment is a public right and a natural obligation." If the employer was made financially responsible in the first instance he would insure against possible claims. This would entail a very slight average addition to costs, but it would mean that purchasers of goods would be paying for the risk incurred in producing the commodities they bought. He therefore laid down the important principle " that no amendment of the law relating to employers' liability will be final or satisfactory which does not provide compensation to workmen for all injuries sustained in the course of their employment, and not caused by their own acts or default." It was this principle which became the basis of the law. The Bill of 1893 was passed by the Commons but met with so much opposition from the Lords that the Government decided not to proceed with it. Before the matter came up again for discussion there had been a change of Government so that the Workmen's (Compensation for Accidents) Act that was passed in 1897 embodied the Chamberlain rather than the Asquith doctrine, i.e. it was based on the principle of compensation for accidents, not of determining the degree of the employer's liability. Sir Mathew White Ridley who summed up the debate on behalf of the Government rightly called these proposals " startling and novel," [1] for they altered all contractual relations between employer and worker, and introduced into English law a new principle—that financial responsibility exists even though there has been no break of contract and no wrong has been done on the part of the employer or anyone acting under his orders. Opposition was less than it might have been for two reasons. Firstly, the new measure covered only a limited number of the admittedly dangerous trades and left the doctrine of common employment untouched as regards the rest. Secondly, it could not be argued that the Act would by raising costs

[1] Parliamentary Debates, 1897, Vol. 48.

of production, put the country in an unfavourable position in international markets. For as long ago as 1884 Germany, England's most powerful competitor, had not only given workers in dangerous trades the right to claim compensation, but had actually compelled the employers to insure their workers against possible injury so as to be able to meet those claims; and this precedent was being followed by France, Italy and Belgium.

There were, of course, certain dissentients against this principle. Mr. Geoffrey Drage, who represented what might be called the C.O.S. view argued that the pure accident of the "Act of God" type was a matter for which the worker ought to make his own provision in a Friendly Society or similar institution, and that the "hard and thorny path of self-reliance, self-denial and self-sacrifice, by which the working-classes had solved these great social problems in the past" was the best way of dealing with it. There was a fair amount of support for this opinion on the ground that it was unjust to make the employer responsible for something not his fault and beyond his control. But the majority felt that as greater mechanisation had increased the risk of the workman it was only fair that the community should pay the full cost of producing their goods. The incidence would be on the employer only in the first instance. His liability to pay for injuries would be entered as one of his costs of production and be paid eventually by those who bought his wares.

The new Act, revolutionary as it might seem, could not, in fact, be considered more than a first step. A few years' experience of it showed that whilst it had conferred very substantial benefits on the workers it did not cover their risk. In the first place, for all trades other than the few specified in the Act, the Doctrine of Common Employment ruled the relations of masters and workers exactly as it had done since 1868. And although the number of accidents in a comparatively safe occupation is smaller than in a dangerous one, yet when an accident does in fact occur, the effect on the victim and his family is exactly the same as if the trade were dangerous. But no compensation could be

claimed. Even, however, in the industries covered by the Act the worker had only a legal *claim* to compensation; he had no guarantee of getting it. For if the employer proved to be insolvent and had not insured himself, or if the insurance company had not adequate reserves, there was no source from which the injured worker could get his money. In giving evidence before the Departmental Committee [1] set up in 1904 to enquire into the law relating to compensation, many insurance company witnesses argued that some State regulation of Accident Insurance Companies was necessary, imposing the obligation to make adequate reserves for meeting claims for injuries to workers. Even so the difficulty would not have been fully met; such an obligation would prevent insolvency due to failure of the insurance company but not that due to the failure of the firm to insure; and if the employer were ignorant or reckless the worker might still receive nothing. The Committee reported that this difficulty could only be solved " by the substitution for the personal liability of the individual employer the security of a fund the solvency of which was for all practical purposes assured."

It is not improbable [said the Report] that in the future the State will have to take upon itself more extensive functions in relation to Accident Insurance. . . . It may even be that alternatively some form of compulsion might be adopted requiring all employers to ensure their workmen in some association under State regulation. . . . These and similar questions are probably in prospect. But it would be premature and beyond our Commission to discuss them. We can only indicate that, beneficial as we believe the legislature of 1897 to have been on the whole, we do not think it can be regarded otherwise than as a step in the direction of a more comprehensive step.

The industries covered by the Act of 1897 were all of such a nature that the large scale unit of production was customary, and few cases had arisen of workers being denied compensation because of insolvency. But the Act was now extended to cover practically all employment, to provide compensation not only for accidents in the accepted sense, but also for specified occupational diseases, and the danger might

[1] Cd. 2208/1904.

soon prove to be serious. Gladstone, the Home Secretary, during the debate on the Workmens' Compensation Bill, 1906, agreed that the principle of compulsory insurance "is a right one and must as soon as possible be adopted as a general solution of the question," [1] but the method of doing it needed further investigation and therefore no provision for it was in the Act when it was passed.

The extension of the claim to compensation to cover specified diseases made the question acute. For it is extraordinarily difficult to decide whether a particular disease is in fact due to the occupation of the sufferer or not. For example, very many flax-workers suffer from bronchitis; but so do people not engaged in that trade. If a flax-worker gets bronchitis it is a delicate matter to decide whether it is due to his occupation or whether he would have got it anyway. The fear of expensive litigation on such questions naturally raised the cost of the premium charged by the accident insurance companies, and it was recognised that a large number of small employers would decide to take the risk and not insure against their liability.

The suggestion was made that the Post Office should provide facilities for insurance at a cheap rate, and a departmental committee was appointed to examine the proposal.[2] Their report was, on the whole, unfavourable. There was no evidence that the Post Office could insure more cheaply than ordinary companies, except at the expense of the taxpayers. As there were many companies competing the probability was that their rates would be kept down to the minimum, and the Post Office would be left with an undue proportion of unprofitable business. Further, in view of the amount of litigation that was likely to arise, it seemed unwise for a government department to be directly involved. At the same time the committee believed that if in the future the companies amalgamated, and the check of competition was removed, then a State system of insurance might prove desirable.

The experience of more than a decade served to show clearly that the anticipated defects had materialised. A

[1] Parliamentary Debates, 1906, Vol. 155. [2] Cd. 3568/1907.

certain number of employers had organised mutual insurance companies to cover their collective risk, but the majority of firms made arrangements with the various big companies that were carrying on this work for profit. And very profitable it proved to be. In the period from 1911–18 only £51·7 of every £100 paid by the employers as premiums had gone to the workers in compensation.[1] £15·2 had been taken as profits, £31·1 had been paid to brokers, agents and costs of management and £2 put to additional reserve. It was obvious that the arrangement was wasteful and inefficient, and the need for greater supervision was fully discussed by the Holman Gregory Committee on Workmen's Compensation in 1920.

The trade unions were strongly in favour of the whole business being taken over by the State. The employers, on the other hand, were equally strongly opposed to this suggestion. The traditional opposition to the Government's entry into business made them fear that their industrial insurance would be more expensive and less efficient if it were a State monopoly. But they favoured the establishment of a State fund in competition with the commercial companies in order to keep down the premium rates. Such a suggestion, as the committee rightly argued, had all the disadvantages and none of the advantages of State business. The anticipated cheapness of a State system would be derived from its monopoly position and its freedom from the necessity to pay expensive commissions and bear heavy advertising costs. But in order to compete successfully with the existing firms and not be left to deal only with the less desirable risks, the State Fund would be compelled to set up a big organisation of brokers and agents, duplicating those already established. Despite the probable gain in cheapness the committee felt that there were strong grounds against a State system, particularly on account of the great amount of litigation to which Workmen's Compensation cases are always subject.

Worse still than the waste involved in accident insurance

[1] Report of Holman Gregory Committee on *Workmen's Compensation*, Cd. 816/1920, p. 13.

was the discovery that there were not less than a quarter of a million (mostly, of course, small employers) who had taken no steps to provide for their liability ; and many hard cases came to light as a result of an employer going bankrupt when a claim was made against him. It is, as the committee duly pointed out, no use for the State to impose obligations on the employer unless it takes steps to see that the benefits provided for the worker are not illusory ; and it therefore recommended that employers be compelled by law to insure themselves against their liability. Since, however, it could be considered unfair for employers to be compelled to insure themselves with companies that enquiry had shown to be charging very high prices, and since the committee was opposed to a State system, the compromise was advanced that the premium of the profit-making companies should be subject to strict supervision.

A more interesting part of the committee's discussion centred round the type of compensation to be given to an injured worker. The basis of the earlier law on this matter had been the right of a man or his dependents to receive compensation for pecuniary loss due to an accident. The extent of such loss depended on the amount of income he could have got had he not been injured, and the amount of compensation he could claim was, therefore, calculated according to his average wages in the years before his injury. But experience of dealing with cases in which the father of a family was killed showed that the difference to the welfare of the family could not rightly be calculated in this way. As was pointed out by Judge Sir Edward Bray, giving evidence on behalf of all the County Court Judges, the loss of a good father who had used the whole of his small wage for the benefit of his family was worse than that of a bad and selfish one who had earned more but kept most for himself. Again, to give a lump sum to an aged widow whose husband was killed might be quite adequate, but to give the same to a young one with small children to look after was not. It probably meant that the money would be spent to tide over the first difficult years and the family then become destitute.

of infectious diseases, was such that a complete reversal of official policy occurred.

> There is one thing [said the President of the Poor Law Board] that we must peremptorily insist on, namely the treatment of the sick in the Workhouses being conducted on an entirely different system; because the evils complained of have mainly arisen from the Workhouse management, which must to a great extent be of a deterrent character, having been applied to the sick, who are not proper objects for such a system.[1]

As a consequence of this change of policy, separate Poor Law institutions, to be reserved exclusively for the sick, were set up in the Metropolis; and an active campaign started for similar accommodation to be built in the provinces. Everything was done on an improved standard. A resident doctor was placed in charge; fittings had to be such as were usual in general hospitals; and paid nurses were appointed. In consequence many of the poor came to look upon these infirmaries as general State hospitals dissociated from poor-relief.

Before 1891 no distinction was made in the official records between the sick and healthy amongst the indoor paupers. Since that date, however, the two are entered separately, and the figures show a very marked increase in the number of those, ordinarily able-bodied, who were in Poor Law institutions for the sick.

	Males.	Females.
1891–2 . . .	7,304	6,923
1895–6 . . .	10,281	8,370
1900–1 . . .	11,449	9,257
1905–6 . . .	15,913	12,187
1906–7 . . .	15,913	12,338
1907–8 . . .	16,061	12,661[2]

These figures, in conjunction with the fact that no such increase is seen in those on outdoor medical relief, show the extent to which the better-equipped infirmaries had lessened the distrustfulness of indoor Poor Law medical treatment; and the evidence given before the Royal Commission supports

[1] Quoted Webb, *English Poor Law History*, Vol. 2, p. 319.
[2] Royal Commission on the Poor Laws, Cd. 4499/1909, Statistical Survey.

the conclusion drawn from these statistics.[1] The development of clean, well-equipped hospitals made a greater contrast than before between indoor and outdoor medical relief. Each Board of Guardians was required to appoint a number of District Medical Officers in proportion to the size and density of population of the area under their control. But the legal requirements were rarely observed. It was unusual to appoint full-time officers, and very often doctors resident in the district undertook the duties in order to prevent the settlement in the locality of a competing practitioner. The doctors were overworked and underpaid. Except in London and some few large towns where Poor Law Dispensaries were established, the cost of the medicine had to be borne by the medical officer himself. And although the Boards of Guardians had the power to appoint salaried nurses for outdoor medical relief it was rarely that they made use of this right. The lack of proper nursing, good medicines, and good food led naturally to a lengthened duration of the period of sickness, and to an increased death-rate. As this service was part of the Poor Law, the District Medical Officers attended only the " destitute " ; but the definition of this term varied from Union to Union. Sometimes only those already in receipt of outdoor relief were accepted as suitable applicants ; sometimes those who could not afford to pay a doctor without seriously reducing their expenditure on food ; sometimes all those who had less than a certain income. In some Unions medical orders were given with a lavish hand to all who asked for them ; in others, where the Board of Guardians had strict views as to the necessity of maintaining the deterrent character of all Poor Relief, the Relieving Officers were very chary of giving any at all. Chief among the methods for making the lot of those getting medical relief less attractive than that of the independent labourer was the practice of giving relief only as a loan, but the greatest difficulty was encountered in recovering the sums lent.[2] Notwithstanding this, it was claimed that

[1] Cf. Evidence of Dr. McVail, Dr. N. Raw, Sir Wm. Chance, Mr. Davy, etc.

[2] Cf. Majority Report of Royal Commission, Part V, Chap. I.

the very fact that the previous loan had not been repaid prohibited people from applying a second time: but in this case it would seem that the practice deterred the comparatively honest, but not those to whom repudiation of the obligations they had accepted brought no sense of shame. In some unions the deterrent principle was observed by refusing to grant orders for medical relief for more than a very short period at a time, and the necessity for repeated review of their cases tended to keep many from applying for help. But the greatest difficulty of all was the fact that medical assistance was associated at all with the Poor Law.

After 1885 the receipt of medical relief alone did not disfranchise the recipient, but many of the poor were unaware of this change in the law. The more respectable and independent in spirit they were, the more they dreaded the stigma of the Poor Law, with the result that the "decent poor prefer to suffer in silence rather than incur the ban of pauperism." [1]

There was a certain amount of provision for the sick outside the sphere of the Poor Law. The voluntary hospitals had gained in number and size during the nineteenth century, and a very large proportion of the patients they treated were of the same social status as those using the Poor Law infirmaries. But, particularly in the out-patients' departments, the overcrowding was so great that, not only did the waiting-rooms themselves, crowded with a multitude of men, women, and children suffering from a diversity of diseases, constitute a danger to public health, but there was no time for the harassed, overworked doctor to give more than the most cursory examination to the majority of patients; while he was, of course, completely ignorant of the home conditions of the person he was advising. "At present," summed up an experienced medical practitioner, "the out-patient department of the voluntary hospital is to a great extent a shop for giving people large quantities of medicine." [2] This criticism could apply with even greater strength to the medical missions and free dispensaries which had been set up in many of the poorer districts

[1] Majority Report, p. 253. [2] *Ibid.*, p. 869.

of the large towns, and which frequently offered cheap doctoring as a bribe to induce religious zeal.[1] This unrestricted access to medical treatment did much to prevent the growth of organisations for making independent provision for sickness. Yet such agencies did in fact exist. In some cases doctors on their own initiative organised medical clubs, whereby the payment of a small regular sum entitled the members of the family to medical care when ill. But for the most part the organisations created by the workers themselves were more concerned with trying to make up for loss of income than with arranging for medical attention. Many of the trade unions, particularly the big craft unions, had schemes of voluntary insurance through which the sick member became entitled to a weekly benefit for a period of time and with this aid the member was expected to make his own arrangements with a doctor. And the same holds true, though not quite to the same extent, of the Friendly Societies. The main object was the payment of benefit during sickness, and the additional contributions entitling the member to medical attendance were usually not obligatory. In the accounts of the Ancient Order of Foresters, for example, it is shown that during the thirty years 1876–1905, of the £20,000,000 paid to members, 72 per cent went in sick benefit while only 12 per cent went to provide medical aid. The work of the Friendly Societies was moreover necessarily limited. They could make little appeal to women, seeing that the minority of them who were wage-earners could hardly afford such a luxury. They would not, if they could help themselves, admit bad lives, and applicants had to submit to a medical examination prior to being accepted. Even so, the fear of recourse to the Poor Law was, amongst the majority of working-class families, so real a thing that by 1904 the number of members in the Friendly Societies had reached the large total

[1] "A person attending a Bible Class or P.S.A. on payment of ½*d.* or 1*d.* a month can obtain a subscriber's ticket entitling him to six weeks continuous medical advice, attendance and medicine, and also extras in the shape of food, notwithstanding that the person may be in full work and the recipient of a wage up to £6 per week." Majority Report, p. 260. Evidence of Dr. Trent, Birmingham, quoted.

of 5,700,000. Yet this figure, by itself, is somewhat misleading in its implications. It did not mean that such a large proportion of the wage-earning population was in fact safeguarded against the destitution consequent on ill-health. Many of the societies were built on defective actuarial calculations, and found to be insolvent in time of need. But more important, the claim to benefit on the part of the member depended on absolutely regular payments. The number of people who applied for membership is evidence of the passionate desire of wage-earners to make provision to retain their independence, but circumstances were often against them. Irregular work, reduction in wages, or a protracted period of unemployment might, and often did, make it quite impossible for them to keep up their payments; and then, of course, their rights lapsed.

Of the importance of sickness as a cause of pauperism there was no doubt in the minds of either the Majority or Minority Sections of the Royal Commission on the Poor Laws. A return obtained from 128 unions on April 13, 1907[1] showed that an average of one-third of those in receipt of relief were under medical treatment (one-half in the case of the indoor and one-fifth in that of the outdoor poor). The direct cost of this service accounted for half the total cost of pauperism, while the indirect cost was even more, since in that there must be included the expense of supporting widows, children and the aged, left as a burden on the rates when the breadwinner died.

But despite the immense expenditure involved in this service, neither section of the Royal Commission could express satisfaction with it. The adherence to the principle of deterrence might, it is true, foster the growth of Friendly Societies and provident dispensaries, or act as a spur to the charitable to endow voluntary hospitals and medical missions. But it led equally to a serious neglect of sickness and to the impaired health of the next generation. "We have received much evidence to the effect that the health of the community suffers because of inadequacy in the

[1] Royal Commission on the Poor Laws. Statistical Survey, p. 44.

amount and quality of medical assistance,"[1] says the Majority Report, and quotes the memoranda of Medical Officers of Health to the effect that

a great deal of preventable disease and mortality among infants and children is due to the neglect of parents to call in medical aid soon enough . . . Mr. Benjamin Purse, on behalf of the National League of the Blind, informed us that a very large percentage of cases of blindness in infancy might have been prevented if the infants had had proper medical attention; he also mentioned that at least 33 per cent of the blind are directly assisted by our Poor Law authorities.

The Minority Report is even more emphatic in its condemnation of a system which in its effects increased the number of those unable to become independent adults.

If a poor family takes measles or whooping cough badly, and cannot afford competent medical attendance, it seems to the Destitution authority a wanton incitement to pauperism to urge them to apply for the attendance of the District Medical Officer; though abstention may mean, through neglected *sequelæ*, the lifelong crippling of the health of one or more of the children. The prevalence of ophthalmia of the newly-born, with its result of entirely preventable blindness, will not appear as any matter of reproach to those Destitution authorities which have managed to restrict their Midwifery orders. Nearly the whole of the children of a slum quarter may go on year after year suffering from adenoids, inflamed glands, enlarged tonsils, defects of eyesight, chronic ear discharges, etc., which will eventually prevent many of them from earning a livelihood, without inducing the Relieving Officer and the Destitution Authority to notice anything beyond the total sum coming in to the household of each applicant for a Medical Order or other relief.[2]

While there was this unanimity in criticism there was complete divergency of opinion when remedies were to be prescribed. The fourteen Commissioners who signed the Majority Report represented what may be called the orthodox Individualist view at the stage it had reached in the early twentieth century. There was recognised, as there never would have been half a century earlier, the importance of a good social organisation if the individual

[1] Majority Report, p. 283. [2] *Ibid.*, p. 867.

is to maintain his independence, and the necessity for the protection of the individual on the part of the community was accepted. But basic in all their thought was the belief that the problem of poverty is finally a problem of character.

> The majority [said Professor Bosanquet] proceed on the principle that where there is a failure of social self-maintenance . . . there is a defect in the citizen-character, or at least a grave danger to its integrity, and that therefore every problem of this kind raises a problem which is moral, in the sense of affecting the whole capacity for self-management, to begin with, in the person who has failed, and secondarily in the whole community so far as influenced by expectation and example.[1]

In their proposals, therefore, they were principally concerned not to undermine the self-reliance and independence of the individual, nor to teach him to look to other than his own efforts to provide for his necessities as a normal thing. With this aim in mind the provident dispensary offered itself as a suitable basis for a reformed scheme. They suggested the organisation and development of a provident medical service throughout the country, and that a systematic scheme of co-operation between this service and the statutory, sanitary, education and public assistance authorities be devised so as to define clearly their respective functions.

The four Commissioners who signed the Minority Report started from an entirely different standpoint. They agreed that destitution is often due to the moral factor, but in their view the moral failure was not invariably on the part of the destitute. It might be, and often was, the moral failure of the community which was the first cause of the trouble, and they insisted that policy must always be directed to the removal of the radical sources of the evil. The evidence they had received demonstrated how vast an amount of the sickness which led to pauperism was preventable. The most important thing to do, then, was to prevent the ill-health and thus enable the individual to remain the independent breadwinner for his family. None of the agencies at work achieved this end. The restrictive

[1] *Sociological Review*, 1907.

character of the Poor Law medical service impeded curative treatment. It was not the duty of the District Medical Officer to inculcate better methods of living, nor to insist on greater regularity in personal conduct so as to prevent a recurrence of the disease. His work consisted mainly in paying a visit and giving a bottle of medicine; and as every effort was made to deter people from applying for help, even this service often came too late to be of any use. The Friendly Societies and Provident Dispensaries were, on the other hand, usually held up as models of what people could do for themselves if urged to develop their own resources and initiative. They led to foresight, thrift, independence, ability for self-government and a readiness to sacrifice the present to the future. But the Friendly Societies did not reach the root of the trouble any more than the Poor Law. The ten shillings a week paid by a good Friendly Society cannot keep a household whilst the breadwinner is sick; it cannot avert the under-feeding of the mother and children. And even this assistance does nothing at all to cure the patient nor to prevent the disease from being incurred. They came to the conclusion that " prevention of sickness " rather than " relief of distress due to ill-health " should be the motto, and for this purpose a deterrent Poor Law was of little use. They were thus led to recommend that the whole work both of ensuring such a social environment as to prevent ill-health and the duty of caring for the sick when it occurred should be united, and handed over to one Public Health Authority.

The method for dealing with this problem, which was now proposed and soon embodied in legislation was based, however, on the recommendations of no section of the Royal Commission. In fact, not only did the new scheme owe nothing to the Royal Commission: it was equally dissociated from the demands of any other organised body of persons, whether of workers or employers, philanthropists or politicians. It sprang from the fertile brain of Mr. Lloyd George who had become very much attracted by the schemes of social insurance which had for some years been operating in Germany. The enormous membership of the Friendly

Societies, and the concern of the trade unions with friendly benefits, encouraged the opinion that the average working man would make present sacrifices to provide for future contingencies. But only too often the sacrifices were made in vain. It was calculated that every year there was an average of 25,000 lapsed policies.[1] It was true that a certain proportion of these members dropped out because of bad habits, intemperance, improvidence and the like; but for the most part it was low wages or unemployment that prevented regularity of payments. For the man whose friendly benefits had lapsed, or who had never had any, the prospects of a period of illness were extremely forbidding. In the hope of postponing association with the Poor Law as long as possible he continued at work when his ill-health demanded rest and treatment, with the result that his ultimate breakdown was more serious, and his hope of cure more remote. Thus the greatest asset of the country, the health, physique, skill and intelligence of its workers, was recklessly wasted, because there was no one with a sense of responsibility to look after it. "There is too little heed paid in our industrial organisation to the physical and mental efficiency of the worker . . ." said Mr. Lloyd George. "What is wanted in this country . . . is to cultivate in the State a sense of proprietorship over these workers."[2] The basis of reform, he urged, should be the recognition of the partnership of the different classes of the community in maintaining the health of the workers; and to this end the employers particularly could be expected to help their employees to do what experience had proved it was impossible for these to accomplish unaided. For the maintenance of a healthy and efficient labour force was so essential to industry that employers might look upon the cost of it as a lucrative investment rather than an additional burden. A scheme for the establishment of a compulsory insurance fund contributed to by both employers and workers was put forward as the only practicable solution.

[1] Parliamentary Debates, 1911, Vol. XXV. Speech on First Reading of Insurance Bill.

[2] Speech of Mr. Lloyd George at Birmingham, June 10, 1911.

There was general agreement that some action must be taken; but the feasibility of *compelling* every wage-earner and employer to contribute to an insurance fund was so questionable that it needed all the eloquence and persuasiveness of its originator to commend it to the general public. He was aided in this campaign by Mr. Winston Churchill who threw himself into it with his customary ardour. Speaking in the Manchester Free Trade Hall in 1909, he said: "If I had to sum up the immediate future of democratic politics in a single word, I should say 'Insurance.' . . . If I had my way I would write the word 'Insurance' over the door of every cottage and upon the blotting book of every public man, because I am convinced that by sacrifices which are inconceivably small, which are all within the power of the very poorest man in regular work, families can be secured against catastrophes which otherwise would smash them up for ever."

Whilst no Party in the House was prepared to oppose the general principles, there was considerable criticism and even open hostility in the country. The left-wing section of the workers had long preached the right of the worker to honourable maintenance when sick and out of work, and the contributory nature of the scheme stuck in their throats. The majority of wage-earners were as yet little affected by such socialist doctrine; but an Act which compelled them to make immediate sacrifices, whilst the benefits were only to be enjoyed in the future, was naturally unpopular. The Friendly Societies and the doctors feared the State control of their activities which the scheme presaged: and the machinery required for administration was necessarily so complicated that misunderstandings were many. Mayfair hostesses held meetings to announce indignantly their refusal to "lick stamps for Lloyd George." Mr. Lloyd George indeed later made great play with a story illustrating his unpopularity at the time, of how a body was recovered from the Thames, and the rescuers, before trying to revive it, turned it over to make sure it was not Lloyd George.[1]

Although the novelty of the idea, and the number of

[1] *Autobiography of Viscount Snowden*, p. 231.

interests that had to be conciliated, made the passage of the Bill through the House a delicate and difficult task, the scheme when once inaugurated rapidly grew into an integral part of the social organisation of the country, and became the accepted method of dealing with the problems connected with the insecurity and irregularity of earning power. Looking back on it at the end of his long Parliamentary career, Lord Oxford characterised it as " the foundation and starting point for all subsequent legislation, actual or attempted " [1] and " what in the domain of social reform will be found in the long run, the greatest boon ever conferred upon the working people of this country." Viscount Snowden in his autobiography writes :

> I say this now after twenty years of experience of the National Health Insurance Act and the Unemployed Insurance Act, that these two measures, with the amendments which have subsequently been made, are the two greatest measures of social reform ever placed upon the Statute Book.[2]

And when the first general and comprehensive investigation into the working of this novel scheme was made by a Royal Commission in 1926, the Commissioners remembering " the exacerbation of spirit of 1911 and 1912 " [3] were obviously somewhat astonished to have to report that " we have received very little evidence directed against the Scheme as a whole, and have no reason to think that there now exists any considerable body of opinion adverse to the principle of National Health Insurance." On the contrary they " received from many different quarters a large volume of evidence in its favour, testifying to the advantages in health and social security which had been derived under it."

The scheme, which was inaugurated by the National Insurance Act of 1911, is on a compulsory and contributory basis. It includes all those between the ages of 16 and 70 who are employed under a contract of service in manual labour and in non-manual labour, provided the rate of

[1] H. H. Asquith, *Fifty Years of Parliament*, Vol. II, p. 123.
[2] P. 230.
[3] Royal Commission on National Health Insurance, Cmd. 2596/1926, p. 12.

remuneration does not exceed £250 a year (originally £160). There are certain exceptions to this general regulation, the principal being those employed under the Crown or a Local Authority, where provision against sickness is included in the conditions of employment. There are also a negligible number of persons who can claim exemption on the grounds of having private means. The revenue of the Scheme is derived from weekly contributions paid partly by the workers and partly by their employers, and collected by means of health insurance stamps affixed to contribution cards. In addition, the National Exchequer makes a contribution proportionate in amount to the total cost of benefit and administration.

From the administrative point of view the Act of 1911 represented a bold experiment in the field of social legislation, inasmuch as it devolved the administration of a Parliamentary measure on to a number of self-governing bodies, created by and answerable to the insured persons themselves. The spontaneous growth of the Friendly Societies and of the benefit side of the trade unions showed how deeply interested were large sections of the workers in the provision against sickness. It was felt that to build the State scheme upon the foundations already laid by voluntary action would not only reduce the opposition of the societies to a compulsory scheme and serve to commend it more readily to those for whom it was designed, but would also make use of the valuable experience that these associations had gradually accumulated, and enable the scheme sooner to operate successfully and smoothly. Moreover, sickness is one of the occasions on which the personal factor is primarily involved, and when the human rather than the official relationship should predominate. The insured person might feel that, as a member of a smaller body, chosen by himself, and whose policies he could by his vote control, he would in his time of need be likely to have more sympathetic consideration than he could expect from the officials of a huge State machine. " The Act," as the Royal Commission pointed out, " was thus an experiment in democracy, no less than in the domain of social

betterment."[1] The Approved Societies, which are the bodies set up under the Act, are organisations of various origin and differ widely in size, and methods of operation. The conditions laid down by Statute are that they shall not be conducted for profit, and that the constitution shall provide for the affairs of the society being subject to the absolute control of the members. Each society has control of the funds contributed by its members and their employers, and draws a proportionate amount from the Exchequer. Out of these funds it must pay the benefits laid down by law, and any surplus disclosed in the periodic valuation of its assets and liabilities must be used in the provision of additional benefits for its members, in the way determined by those members.

The benefits provided under the Scheme are:[2]

(1) Medical benefit; i.e. medical treatment and attendance, including the provision of proper and sufficient medicines and of the prescribed medical and surgical appliances.

(2) Sickness benefit, i.e. periodical payments during incapacity for work through illness. The ordinary rates of sickness benefit are 15*s.* a week for men and 12*s.* a week for women, commencing on the fourth day of incapacity and continuing for a maximum period of 26 weeks.

(3) Disablement benefit, i.e. a continuance of periodical payments during illness at the reduced rate of 7*s.* 6*d.* a week for both men and women after the title to sickness benefit has been exhausted.

(4) Maternity benefit, i.e. payment of the sum of £2 on the confinement of an insured woman or the wife of an insured man. In the case of a married woman who is or has recently been herself an insured contributor a total sum of £4 is payable.

(5) Additional benefits, which may be provided by an Approved Society which has a disposable surplus on valuation, and may take the form of an increase of the normal cash benefits or payment towards the cost of various forms

[1] Royal Commission on National Health Insurance, Cmd. 2596/1926. p. 92.
[2] *Ibid.*, p. 9.

of treatment, such as dental, ophthalmic, hospital or convalescent-home treatment.

The Approved Societies are in control only of the financial side of the benefits. It was originally intended that each society should make arrangements for medical attendance for its members. But the doctors, as a result of their experience of undertaking contract practice with the voluntary societies, were strongly opposed to this plan, and succeeded in changing this arrangement to one in which the medical benefits are administered by committees specially constituted for the purpose. Local Insurance Committees are elected for each county or county borough, and are composed of representatives of the Approved Societies, the doctors, the County or County Borough Council, and the Ministry of Health. The committee publishes lists of doctors and druggists in the area who are prepared to undertake the necessary work for insured persons. Every doctor has a right to be included in this panel, and any insured person has a right to choose his own doctor from the list. He may change when he wishes, but he may not be on the list of more than one doctor at the same time. The remuneration of the doctor is made on a capitation basis. Complaints made by insured persons of neglect or inadequate attention may be put before a sub-committee of the Local Insurance Committee, which is composed of equal numbers of representatives of doctors and of insured persons, with a neutral chairman. By the regulations under the National Insurance Act it has been laid down that the insured person has a right to demand from his doctor all general medical attention except such as requires such special skill or experience as the general practitioner cannot be expected to possess.

While there is no body of opinion that is unfavourable to the scheme as a whole, certain criticisms have emerged during the long period it has been in operation. Of the value of the medical attention it is extremely difficult to judge. This is not a possible subject for quantitative assessment. The number of complaints of neglect made to the sub-committee is exceedingly small, but this means nothing.

The majority of the poorer sections of wage-earners are notoriously ignorant of legal provisions made to protect them, and even if they are aware of their rights, the mental effort necessary to make and substantiate a formal complaint would probably render endurance preferable. Of verbal, informal complaint there is no stint. But this again is almost equally worthless as evidence. Thousands of people take it for granted that a doctor will not treat his panel patients as well and as considerately as he treats his private patients, and, without a shred of evidence to which they can point, talk with assurance of the lack of care or hasty examination to which the insured have to submit. In view of the very large number of doctors involved, about 15,000, it is only to be expected that there should be some who fall below the highest standards of professional conduct, and that the extent of the seriousness of their misdemeanours should be exaggerated as they are discussed. But as the Royal Commission pointed out: "the assertion that doctors are comparatively inattentive to their insurance patients" is one which is "more common in unrestrained conversation and letters to the Press than in formal evidence." [1] Practically all those who had an opportunity of seeing the operation of medical benefit in bulk and at close quarters spoke warmly in favour of it.[2] And it is an incontrovertible fact that now millions of people have regular medical attention in their own homes who before would have had very little chance of it, and that doctors are on the whole financially better off as a result of being relieved of the expense of collecting many small accounts and of the heavy burden of "bad debts."

Administration through the Approved Societies has not in practice proved so valuable as was at first anticipated. The machinery of this "experiment in democracy" was designed to give the individual a sense of power and responsibility. It was believed that to leave the administration of benefits in the hands of societies to which people

[1] Royal Commission on National Health Insurance, Cmd. 2596/1926. p. 37.
[2] *Ibid.*, pp. 33–5.

voluntarily attached themselves, was both to minimise the impersonality of bureaucracy, and to offer an opportunity for education in self-government. This democratic dream has not, in fact, materialised. To the individual member, the governing body of a large society seems as remote as does the State. That both of them depend on his vote is a thought that rarely enters into his consciousness. Even those who are politically minded find their main interest in other matters which seem more vital and immediate—the trade union, the co-operative society and so on. For the normal man sickness is an infrequent interlude—but wages and hours of work and the buying of household provisions are all pressing concerns of everyday life. And even here it is only the exceptional man who finds joy and fulfilment in laborious committee work, who is prepared to attend meetings and discuss detailed regulations, not only during a crisis but also in the long intervals during which more or less routine administration is being carried on. It is unwise to plan any system which puts too great a strain on the individual's fitness for organised corporate activities. The average man of every class in the community finds his interests within a very narrow circumference. The affairs of his family, his neighbours, perhaps his club or church, loom so large before him as to blot out of his view those matters with which he cannot feel so intimately and personally concerned. In moments of stress or political excitement they come to the front, but with the passing of the moment they recede again into the background. But sound democratic government depends on continuous interest and alertness, not on spasmodic excitement. The Approved Societies are in the same position as other democratically-planned organisations. They are run by a small band of public-spirited or interested persons, and a large body of officials. The degree of control which is, in fact, exercised by the members is probably neither more nor less than would be the case if administration of Health Insurance were in the hands of Local Authorities.

This consideration does not, however, invalidate other criticisms which can be brought against the system. Any

number of persons, above a minimum of seven, may join to form an Approved Society with the result that the membership varies within the widest limits. There are many societies with less than 100 members while others have as many as 2,000,000. The number of " units " administering the system, if branches are taken into account, is very nearly 8,000, which adds greatly to the cost of accounting, auditing and general supervision on the part of the Central Department. It is true that, in some instances, the smallness of the size makes popular control on the part of the members more feasible and preserves the personal touch on which such stress was laid when the scheme was initiated. But on the other hand, the membership is very often so scattered that even these advantages are lost. In every moderate-sized town there are literally hundreds of societies each having to duplicate arrangements for the administration of cash benefits to perhaps a handful of members. " We are informed," says the Royal Commission,[1] " that in Liverpool 488 Societies have members—in Bolton 285, in Brighton 304, in Norwich 213, in Reading 245, and in Tynemouth 168." And again, " in Dundee (which is an illustration chosen at random), there are 217 separate societies (ignoring branches) of which 99 have less than 10 members in the town, 52 of these having only one member." And this is by no means unusual.

The criticisms directed against this system are not only on account of waste and duplication of machinery, but on the score of injustice. The additional benefits which may be provided depend on the size of the disposable surplus, which will vary according to the size and type of the membership. And thus contributors, forced by law to pay the same premium, draw benefits of widely differing value. It is not certain, however, that this criticism is sound, if the system is regarded as, in fact, insurance ; for it is in the nature of insurance to vary premiums according to risk. If a flat rate of premium is demanded the same end may be achieved by varying the benefits.

[1] Royal Commission on National Health Insurance, Cmd. 2596/1926, p. 96.

IV

The difficulties encountered in the attempt to reconcile belief in the importance of strengthening family ties and parental responsibility, with the knowledge that circumstances may be too strong for the individual, are strongly evidenced in considering the position of the child in the social order.

The twentieth century has with justice been called the "Century of the Child." To a degree hitherto unprecedented interest has centred on the problems of childhood. The growth of psychological knowledge has probably contributed more than anything else to this development, for its insistence that "the child is father to the man" is not a poetic statement but a plain fact has brought the realisation that a nation which neglects its children does so only to its own undoing. Such a realisation leads inevitably to a policy of providing for children the type of environment which makes it possible for them to develop into healthy, educated, independent adult citizens. And there has, in fact, been a marked trend in this direction. But such a policy is in direct conflict with the accepted ideal of parental responsibility and the high place given to family pride and affection as a means of inducing parents to work and save.

It might be thought, however, that it is just a society which is built up on the family as the smallest social and economic unit (i.e. one in which it is the normal thing for the father to provide the living for an economically dependent wife and family), which should consider itself as standing particularly *in loco parentis* to those families where the death of the breadwinner prevents him from fulfilling his obligations. Indeed the widow and the fatherless have always been accepted as having a special claim on the care and compassion of the community. The woman left with small children labours under a double disability. A social organisation in which the family is dependent on the exertions of the father has undoubtedly been a very potent factor in causing women's rates of pay to be very

much lower than those of men. The transitional nature of women's industrial employment makes the learning of a skilled trade usually not worth the sacrifice entailed. There is, therefore, intense competition for unskilled jobs, with the consequent readiness to accept low wages. The knowledge that the majority of men have others than themselves to support, whereas the majority of women have not, makes both employers and workers consider it natural that there should be a marked divergence between men's and women's rates. The widow thrown on her own resources is thus compelled to play the part of family breadwinner in a world which assumes that, being a woman, she has only herself to maintain. She cannot demand more, because her absence from the industrial field has possibly reduced her efficiency, and as she is probably unskilled she is easily replaceable. Moreover, at the same time that she is trying to earn a living she has to continue doing the job that other women with husbands find takes them all their time, that is, the care of the house and the rearing of the children. It is obvious that such a double task, carried on in the face of such obstacles, is an impossibility to all but the most exceptional of women. It results inevitably in the breakdown of health of the mother, and the neglect and serious under-nourishment of the children.

It is difficult to get an accurate estimate of the part played by widowhood in forcing a family below the poverty line. Booth in his investigation into the *Life and Labour of the People of London* gives low wages a high place as a cause of poverty, and in analysing the causes of low wages deals with the poor pay received by women workers. But he does not distinguish statistically between the circumstances of widows and of other women without dependents. The earliest attempt to discover to what extent poverty may be due to the fact of widowhood was made by Rowntree in 1901 in his study of conditions of life in York.[1] As a result of his investigations he calculated that of the families living in " primary poverty," i.e. " those whose total earnings are insufficient to obtain the minimum necessaries for

[1] *Poverty : A Study of Town Life.*

the maintenance of merely physical efficiency," 15·6 per cent owed their condition to the death of the chief breadwinner.

The number of widows and orphan children relieved under the Poor Law is again some indication of the extent, though not of the relative importance, of this factor in poverty. The figures collected for the Royal Commission on the Poor Laws relate only to the widows with dependent children, since the childless widow is in no respect different from the single woman. In 1906 there were 35,026 able-bodied widows on out-relief. Of these [1]—

287	were	over	20	years	and	under	25	years	of age.
7,173	,,	,,	25	,,	,,	,,	35	,,	,,
16,242	,,	,,	35	,,	,,	,,	45	,,	,,
9,412	,,	,,	45	,,	,,	,,	55	,,	,,
1,912	,,	,,	55						

The ages are significant as showing that it was the double task which was beyond the women's strength. As their children grew up and ceased to be dependent, the women ceased to require assistance.

Whilst, however, there was this recognition of the necessity for the State to aid the widow in her unequal task, there was great diversity in the practice of different districts, and considerable oscillation in policy from one time to another. Both these spring from the same source—the impossibility of reconciling two opposed points of view. On the one hand was the belief that lenient treatment makes a race of paupers and that for the State to be too ready to help weakens the moral fibre of citizens. It was thought that if a man felt certain that his wife and children would be provided for by others in the event of his death, he would cease to try and make provision for them himself; nor would the widow make any attempt to be independent if the community were too eager to shoulder her responsibilities for her. On the other hand was the view that the proper feeding and training of the children into healthy citizens, equipped for their battle in life, was the only objective worthy of consideration. Few of those whose business it was to administer public assistance to

[1] Cd. 4499/1909 Statistical Survey, p. 35.

fatherless families ever faced the situation and made up their minds what they were really trying to do.

Although the principle of "deterrence" recognised in 1834 forbade the granting of out-relief to able-bodied persons, the Boards of Guardians were expressly permitted by an order of 1844 to grant out-relief to widows with dependent legitimate children. The majority of Boards of Guardians did in fact make a practice of assisting widows in this way. But the reaction against too lenient administration of the Poor Law which set in in the 'seventies [1] led to the issue of a circular by the Local Government Board urging that a stricter line be taken. This circular recommended that no out-relief should be granted to able-bodied widows with only one child to maintain, and suggested that even where there were several children it might be preferable to take the children into the workhouse and leave the mother to provide for herself, than to give out-relief. It is probable that the first recommendation was widely followed, but with regard to the second there was considerable diversity of practice. In some of the strictest Unions, each case was investigated with scrupulous care, and out-relief given only to those who were of the highest respectability. Sometimes in addition to respectability, proof had to be forthcoming that there were other sources of income to supplement the amount granted from public funds. In other Unions, small inadequate sums were given with no investigation and no supervision, partly because there was a general feeling that it was best to leave children with their mothers, but more because out-relief administered in this way was much less bother and very much cheaper than to take the children into an institution.[2] Even amongst the Unions that gave out-relief there was no uniformity of treatment. In some, a scale of relief was kept to, in others, only relief in kind was granted, such as a loaf of bread or so much milk per head; in still other Unions the relief seemed to follow no rule of any kind.

[1] See Chap. I.

[2] The usual amount of Out-Relief was 1*s.* or 1*s.* 6*d.* per child per week. But it cost from 12*s.* to 21*s.* a week to keep a child in a Poor Law School or Cottage Home.

A Report on the Condition of Children in Receipt of Poor Relief [1] by Dr. Ethel Williams, made for the Royal Commission on the Poor Laws, shows the slight relationship that existed between the incomes of these families and their needs.

No. in Family.	No. of Families	Lowest Income		Highest Income	
		s.	*d.*	*s.*	*d.*
2	25	4	0	16	0
3	174	2	0	22	0
4	258	3	0	49	0
5	221	5	0	60	6
6	185	7	0	61	6
7	95	4	6	60	0
8	43	10	0	49	0
9	22	14	0	59	0
10	6	12	0	40	6

The largest families do worst on the whole, but a family of three with an income of 2*s.* or of four with 3*s.* obviously cannot continue to exist.

It does not need much consideration [reports Dr. Williams] to see that not only are these incomes insufficient, they are impossible. The families possessing them do not live on them; they beg or borrow; they pawn their furniture and clothes; they don't pay rent but move from place to place as landlords push them out. Such a life can be continued for a long time, and it is not necessary to emphasise the fact of how hopelessly demoralising it must be for children, and how small must be the chance children brought up in this fashion have of becoming decent and self-respecting citizens. They live a hand-to-mouth existence; they grow up uneducated because of schooling difficulties due to frequent moves; they have no idea of orderly life and easily drift into the sub-citizen type.[2]

The figures given in the table represent not the amount of out-relief, but the total income from all sources, including the earnings of the mother and elder children. About 70 per cent of the mothers on out-relief were found to be earning something, but these earnings were often really a waste. Not only were their wages pitifully small, but they had no time to care for their children and manage the house. The children rarely got a cooked meal; they

[1] Cd. 5037/1910, Appendix, Vol. XVIII. [2] *Ibid.*, p. 38.

were fed almost entirely on bread and milkless tea, and scraps. This was the whole diet of about 32 per cent of the cases investigated. Sometimes a halfpennyworth of soup, or a potato or turnip constituted the meal. It was this insufficiency of food that was the most serious evil of the situation. Cleanliness in the home and adequate clothing are important elements in the rearing of a child, but food is the prime necessity. Nothing at all can make up to a child for insufficient food during its growing years, and Dr. Williams's enquiry showed how close was the correlation between the state of intelligence and the degree of nutrition.

In the light of this consideration it might have been argued that the Local Government Board had been wise in urging that fatherless children should be taken into an institution where they could be well-fed, well-clothed, clean and cared-for. But whilst good food is the basic necessity, it is not the sole necessity. The normal child requires for its development that whole network of social and psychological relationships which is comprised in family life.

> I take it that what every child wants [reported Dr. Williams], and what every home which is reasonably good gives, is a certain stability in life, a sense that there is one place, one little group to whom it stands in a unique relation, and who regard it as they regard no one else, a point to which under any circumstances it can turn.

This unique relationship can never be provided by the head of a Poor Law institution; too many generations of children come under his care. This is true even when the Institution is small. To the mother of a "Home" it is the generation of children at the moment under her care who are her chief interest. The child going out into the world feels without moorings. It has not the consciousness possessed by the normal child brought up in a family that all its activities are of supreme interest to one little group —that not only its successes and failures will be matters of concern, but even the tiny unimportant trifles of its day-to-day life. It is this passionate desire for human contacts, the need to be of importance to somebody that led so many

Poor Law children to get into the hands of undesirable relatives when they first started out in the world. There is nobody who can provide this human contact so well as the child's own mother. There are, of course, mothers who are bad and vicious and whose contact with their children can produce nothing but evil. This is true whether the mother is a widow or not. But the average mother can, if given the chance, fulfil this need for her children and it is important for the community that it should be filled. But she cannot do it properly with inadequate means. If she stops at home to look after the children on insufficient out-relief, the family are half-starved. If she goes out to work, the children are uncared for, uncontrolled and badly fed. The only way out of the dilemma is to provide an income adequate to the job she has to do.

The irony of the situation was that, if the mother died, the children were likely to be better-off financially. Most Boards of Guardians restricted the allowance given to a widow in respect of her children to 1*s.* or 1*s.* 6*d.* a week, but if an orphan was boarded-out with a foster-parent, 5*s.* a week was the more usual sum. An experiment was tried in Glasgow in 1902 of constituting widows formal guardians of their children, and giving them the amount of money that would have been given to foster-parents. It worked well in many cases. Where it failed it did so through indiscreet administration. Such a system demands careful supervision on the part of the Inspectors, to see that the money is spent in the best interests of the child. However, the reports of the Inspectors were ignored, and incomes continued to be provided to women who were unable, or unwilling, to give proper attention to their children and their homes.

Both the Majority and Minority Reports of the Poor Laws Commission insisted on the importance of giving an adequate allowance if out-relief were granted at all. But there was the distinction between them that, to the Majority Commissioners, the maintenance of independence and the fear of creating paupers were uppermost, whereas it was the opinion of the

Minority Commissioners that the interests of the children should be first considered. The former were therefore prepared to consider widowed mothers as wage-earners if the children were of school age, provided that their industrial duties did not lead to neglect of the house. The latter urged that widows with dependent children should not be considered as able-bodied at all. As long as the home and children were properly cared for the widow should receive adequate maintenance out of public funds to enable her to devote her whole time to her home duties. But they urged the necessity for demanding a high standard on the part of women thus maintained, so that the public money should be expended to the best advantage in the rearing of its new citizens.

The discussion of the position of widows was, however, only one small part of the work of the Royal Commission; and political and social controversy found much more exciting matters to feed on in the major portion of their recommendations. This neglect is typical of the treatment the widowed mother has generally received. The Labour Party did, it is true, include "Mothers' Pensions" in its political programme; but this was largely in the way of window-dressing. Higher wages, a shorter working day, methods for dealing with unemployment—these were the demands that gained enthusiastic support and that were insistently put forward. And it is significant that widowhood was the last of the common emergencies of life to be provided for by Social Insurance or State Pensions. Provision for the aged, for sickness and for unemployment all preceded it. The poverty-stricken widows eking out a meagre existence on scanty earnings and inadequate Poor Relief formed a class of persons too humble, too abject and too inarticulate to make their needs heard in a world where so many other groups were clamouring for the amelioration of their particular grievances.

But the widow and orphan were once more forced on the public attention by a tragic incident. In 1914 a woman was convicted of cruelty to three children. They were found locked up in one room "in an undesirable state

and in a mental condition bordering upon idiocy." [1] The woman's defence was that she was a widow earning only 10*s*. a week. She could not afford to pay anyone to take care of the children and was afraid to leave them free. So every morning when she went out to work she locked them in for the day. She was not ignorant of the fact that she could have applied for relief, but her fear was that, if she did so, the Guardians might take the children away from her and place them in an Institution. As a result of a discussion on this matter in the House of Lords, the Local Government Board was asked to issue a circular explaining the legal duties and powers of Boards of Guardians and urging that children be left with their mothers unless the need for their removal was urgent.

The circular, which was duly issued, pointed out that in fact it was already the practice of the majority of the Boards of Guardians to relieve the children at home. Of the 234,687 children in receipt of relief on January 1, 1914, only 11,596 were boarded-out because the parents were unfit to be in charge, 108,199 lived with their mothers, 46,528 lived with their fathers who were unable to support them, 315 with relations. The remainder included orphans or deserted children with no relations ready to take care of them, and sick children being cared for in infirmaries, etc. The Local Government Board took the opportunity to point out again, however, that very many Boards of Guardians did not give enough relief "to maintain the standard of living upon which the Guardians should insist in households for which they have assumed responsibility." [2] An adequate allowance coupled with careful supervision, preferably by women officers, was the principle on which Guardians were advised to act.

The circular was not issued until October 1914. By that time the country was at war, and the circular did not get the attention it deserved. It was not until the War was over that the Local Government Board reissued

[1] Cmd. 744/1920, Ministry of Health, *Survey of Relief to Widows and Children*, p. 3.
[2] *Ibid.*, p. vii.

it and urged the Guardians to put its principles into practice. But by that time social insurance had come to be the accepted method for maintaining the standard of living of a family during the normal vicissitudes of life, and it was only a matter of time until this was applied to the risk of widowhood and orphanhood. The scheme [1] when it was introduced in 1925 was linked to the Health Insurance system already in existence, because it seemed undesirable and unnecessary to set up quite new machinery for the purpose. The pensions which provided 10*s.* for the widow, 5*s.* for the first child, 3*s.* for each additional child and 7*s.* 6*d.* for orphans were known to be inadequate. But this was the result not only of economy but of policy. Mr. Neville Chamberlain in introducing the Bill said:

> In our view it is not the function of any system of State insurance to supersede every other kind of thrift. We rather regard the function of a State Scheme as being to provide a basis so substantial that it will encourage people to try and add to it and thus achieve complete independence for themselves.[2]

How far has this hope been fulfilled? Have widows been able, with the help of the pensions to which their husbands have been compelled to contribute during their lifetime, to keep their families without recourse to Public Assistance? Is the fatherless child still at a disadvantage in the standard of living it can enjoy?

There is no available information by which we can answer these questions accurately, but fortunately, enough is obtainable to give an indication of the effects of the scheme. The *Social Survey of Merseyside* [3] published in 1934 is the first attempt to make the same sort of picture of a provincial area that Booth made of London in the 'eighties. Volume III contains a section dealing with "Broken Families," i.e. families that have no adult male wage-earner. These families account for one in six of the working-class families of Merseyside, and though not all of them are widows—some are spinsters, some women with aged parents or in-

[1] Widows, Orphans and Old Age Contributory Pensions Act.
[2] Parliamentary Debates, 1924–5, Vol. 184.
[3] *Social Survey of Merseyside*, 3 vols.

capacitated husbands, some aged couples,—by far the largest proportion, 62·3 per cent of the total, are widows. The group accounts for almost a third of the major social problem of urgent poverty in the district.

The Survey divides these " broken families " into three categories.

X. Comprising 36 per cent of the total; aged people, invalids, etc., in which there is no one at work. Here the greater part of the income is derived from pensions, mainly Old Age, and Public Assistance. Some make a little by letting lodgings, others have small investments, often money left by dead parents or husbands, or receive contributions from sons and daughters living away from home.

Y. Comprising 13 per cent: in which no adult at all is earning, and the family depends on the wages of juveniles, and on war and widows' pensions, and public assistance.

Z. Comprising 51 per cent: in which there is an adult female earning, and often juveniles as well. Here earnings are the most important source of income, though pensions are still an important constituent; but public assistance and relatives' gifts are not so frequent as in the other classes.

The proportion of widows is particularly high in Y, and as the average size of the family here is large (4·17 persons as compared with 1·98 in X and 2·65 in Z) it points to the conclusion that widows with young children are less likely to be able to earn than spinsters or women whose children are no longer at school. A large proportion of the families living in poverty in the Y and Z groups consist of un-pensioned widows; but as 38 per cent of the widows receiving public assistance get it in addition to old age or widows' pensions, it seems to show that these pensions are inadequate as the sole source of income. But it is difficult for a woman with small children to add to her source of income by earning. The proportion of adult women earning is much larger in " Broken Families " than in ordinary working-class households (45 per cent as com-

pared with 18 per cent) and almost one-third of these are widows. But the earnings are low; the work is mainly domestic and generally only part-time: 14 per cent of the women working get 8*s.* or less a week, and of about 10 per cent the only earnings are those obtained from taking in lodgers.

The result is that the standard of living of the "Broken Family" is much lower than that of the average working-class family of the district. The median income for the whole working class population of Liverpool is 62*s.* 6*d.* and the income per head 15*s.* For "Broken Families" the corresponding figures are 30*s.* 1*d.* and 11*s.* 7*d.* The figures show that, were it not for public assistance, more than 1 in 3 of these families would be below the Poverty Line. In the X group 55·6 per cent are below, in Y 42·5 per cent, in Z 17·5 per cent as compared with 16·1 per cent for all the working-class families of the area. These figures again point to the conclusion that, apart from Old Age (mainly the X group), it is the widow with young children who is likely to be poverty stricken, whereas in Z where the woman is able to earn, the proportion in poverty is little more than the average for the district.

CHAPTER V

LOSS OF INCOME

II. UNEMPLOYMENT

I

In her eulogy of the sense of parental responsibility as the spur to the development of initiative and industry, Mrs. Bosanquet, the representative Individualist found herself confronted by the question as to what course should be pursued by the men who were not permitted by social conditions to earn a living for those they were bound to support. But with no hesitation the answer to the problem was forthcoming.

> It is [she says] a vain and idle hypothesis. The social conditions *will* permit them; for their very effort to do so will make them steady and efficient workers, whose services will be valued by the community. It all comes back to the elementary fact that when a man's living depends upon his being useful, he will find some way of being useful.[1]

To the generation that has lived through the post-War years and grown accustomed to the knowledge that millions of men can be idle at the same time in consequence of changes in world economic, monetary or political conditions, the fallacy in Mrs. Bosanquet's statement is easily apparent. But when she wrote, in the opening years of the century, her complacent words expressed the general attitude. There has been no more phenomenal change of opinion than that with regard to this question. It is, in fact, true to say that the problem of unemployment is definitely a problem of the twentieth century. This does not mean that unemployment was unknown thirty or forty years ago. Far from it; but for the nineteenth century the problem was

[1] Bosanquet, *Strength of the People*, p. 208.

not that of unemployment but of " the unemployed." In the last century it was a matter of the individual, and it had to be tackled by prodding the individual back into work. The idea that a man could be out of a job through forces beyond his control was only just beginning to suggest itself to the more alert minds, and by the majority was pooh-poohed as the wild vapourings of the socialist. Now, it is a platitude. The change in opinion is due primarily to the accumulation of accurate statistical information.

Until comparatively recently no means existed for discovering the number of persons out of work at any one time. The man who lost his job lived for a time on his savings, on credit from the shops, and on help from relatives or neighbours. If his unemployment persisted he sold or pawned his furniture and the family's spare clothes. Only when all resources were exhausted did he apply for Poor Relief. Thus it was not until he was destitute that he was entered in official figures. And even so, it was his destitution and not his unemployment which was of concern to the records. But destitution can be caused by all sorts of things other than losing one's job; and the number on relief might vary simply through a change in policy of those administering the law. Greater stringency on the part of the Boards of Guardians might, and often did, result in a lowering of the number of paupers, without any change in the circumstances of the population concerned. It certainly could not be adduced as evidence that a larger number were supporting themselves by their own earnings. The only indication that existed of the extent of unemployment was that given by certain trade unions. A number of unions, mainly those organising skilled craft workers, had instituted out-of-work benefits for their members, which necessitated the keeping of records of the persons to whom benefit was being paid. But by the end of last century out of 11,000,000 manual workers, only 650,000 were covered by these schemes. Yet, limited in scope as they were, these records were immensely valuable because, by comparing the percentages of trade unionists on benefit at

different times it was possible to get some comparative idea of changing situations. If all the industries for which records were available showed a move in the same direction, it was legitimate to conclude that something similar was occurring in the other industries too. It was possible, therefore, to estimate the general ebb and flow, even though no information was available that would enable the actual volume of unemployment to be gauged. It was, in fact, the existence of this ebb and flow as shown by the trade union records which turned the "problem of the unemployed" into the "problem of unemployment." For it led inevitably to the conclusion that a phenomenon common to all industries must have a common cause, i.e. that the explanation must be sought in industry itself, or in the circumstances in which it was carried on, rather than in the character of the individuals who happened to be affected. It is significant that the book which did more than anything else at this time to bring about that change in opinion noted above had as its title: *Unemployment: A Problem of Industry*.[1]

But at the end of last century it was fairly generally accepted that two factors accounted for the existence of the unemployed, and opinion varied only in the emphasis which was placed on one or the other. It was obvious, on the one hand, that a very large number of those who were unable to earn a living were inefficient, lazy or dissolute. They were men with some defect of physique or character. They were slow at work, or restless, or difficult to teach, or often ill, or unwilling to get up early, or irregular in their habits. They were perpetually in need of help from outside sources, and the more readily help was vouchsafed them the less were they inclined to look after themselves. On the other hand, there were good workmen out of a job because of a decline in the industry in which they had been employed or because of a change in its technique. The difficulty lay in the attempt to distinguish between these categories and to discover how much unemployment was due to one and how much to the other. Booth tried to

[1] W. Beveridge, 1909.

do it by an examination of individual trades, but failed, largely because of the difficulty of tracing those in the second group who, as he said, " make no outward sign of distress " but evidence " the saddest form of poverty, the gradual impoverishment of respectability, silently sinking into want." [1]

With no accurate knowledge to guide them, each group of social theorists emphasised the particular factor that appealed to it and which fitted in with its ideas of society. The Charity Organisation Society with their acceptance of the contemporary economic organisation as natural and right concentrated on the shortcomings of the individual as the primary cause in distress. Their intimate acquaintance with the family circumstances of those in need of help convinced them that the men out of work were in general less efficient, less competent or less energetic than those who retained their jobs. They argued from this that if the distressed section had been as efficient and industrious as those still in work they would not have been dismissed. As Mr. J. A. Hobson pointed out,[2] they were here guilty of the same logical fallacy as in telling the last people in a theatre queue that if they had come half an hour earlier they would have found seats. It is true they would have done so, if they had been alone in their early appearance, but if every individual in the queue had come earlier the same number of persons would still have failed to gain admission. And if at certain times economic forces are at work which actually reduce the demand for workers, a selective influence is in operation which prevents universal success in the search for work, exactly as the limited seating accommodation of the theatre necessitates the end of the queue being disappointed. The particular individuals selected for exclusion may be less efficient, but it is not their inefficiency which is the cause of the scarcity of available jobs.

The Charity Organisation Society was ready to admit

[1] Booth, *Life and Labour of the People of London. Poverty*, Vol. I, pp. 149 ff.

[2] J. A. Hobson, *Crisis of Liberalism.*

that in exceptional circumstances such might be the case. But they insisted that to a much greater extent the choice lay with the worker himself as to whether he would work or not, and that in consequence the principal attack on unemployment must be made by strengthening the character of the worker—an end which could only be achieved by maintaining the close association of unemployment and want. It might be difficult for him to maintain his independence when economic changes affecting him were taking place; but it was the struggle to do so which developed force of character, which led to spontaneity and activity of mind, and which, by calling upon the resources of relatives and friends deepened social relationships.[1] It was not enough for a man to be willing to work, if work offered: he must undertake for himself the difficult and arduous task of running down an employer; and it was better for a few to suffer distress as a result of economic forces beyond their control than that the character of many should be jeopardised by dissociating lack of employment from suffering.

> I am inclined, however, to think [said J. St. Loe Strachey, the Editor of the *Spectator*] that a far more important factor than industrial disorganisation is the moral disorganisation caused by the belief that unemployment is not a man's fault, but his misfortune, and by the failure to recognise that a man may have less evil done to him by experiencing for a time the actual pinch of want than by being pauperised at the hands of the State.[2]

This is a little like the mediæval Church's desire that the body of a sinner should be burned by fire so that his immortal soul be saved.

But what this school of thought failed to take into account was that the "pinch of want" was not merely a spur to the worker to find a job, but that by reducing his efficiency, depressing his vitality and lowering his physique, it made him progressively unfitted to do a good job, and compelled him to rear a new generation of undernourished,

[1] C. S. Loch, "Problem of the Unemployed," *C.O. Review*, Nov. 1906; W. A. Bailward, *C.O. Review*, July 1908.

[2] *The Manufacture of Paupers.* Essays reprinted from the *Spectator*, 1907. Introd. by J. St. Loe Strachey.

stunted ill-trained children to continue the losing battle when he was gone. As Mr. Rowntree pointed out, these stern individualists weakened their case for the importance of the individual character by refusing to recognise how far that character is itself the product of laws and of economic and social environment. And yet it was from those living in the worst and most demoralising environment that the most heroic virtues were expected.

If the men and women in this class possessed, as a whole, extraordinary energy and perseverance, they might perhaps, notwithstanding physical feebleness, and a depressing environment, raise themselves to a higher level; but it is idle to expect from them as a class, virtues and powers far in excess of those characterising any other section of the community.[1]

Thinking as they did, however, that it was in the raising of the individuals morale that reform must be sought, their programme included labour colonies for reconditioning the inefficient, Poor Relief of a strictly deterrent nature to urge on the average man to further efforts at self-sufficiency, and charitable aid for the exceptional hard cases. Those who were inclined to be more critical of the nature of the society in which they lived laid greater stress on the *economic* factors in unemployment. But these, too, recognised that the personal factor may play its part in making the individual unfit for a job, and supported Labour Colonies and such schemes as a means towards the improvement of the physique and character of the unemployables. But for them this was a minor part of the problem. The principal difficulty which they had to meet was that as a result of industrial changes over which individual workers had no control at all, men accustomed to find a market for their services were no longer able to do so. To abandon these men to the " pinch of want " was unjust, nor were charitable organisations adequate to deal with them. To look after these men was not the work of charity but of the State.

It is a collective, social and municipal duty [said Mr. John Burns] in which the minds, principles, energies and organised

[1] B. S. Rowntree, *The Poverty Line*, pamphlet, 1903.

sympathies of all men, absolutely non-religious and impersonal, should be embodied by and through governmental and administrative agencies that should conscientiously carry out the scientificially ordered benevolence and desire of the community.[1]

It was not only those of socialist principles who were uneasy at a system which made no attempt to distinguish between the men suffering as a result of their own misdemeanours or lack of quality, and the innocent victims of economic change. It was typical of the new Liberalism, which had lost its early belief in man as the complete master of his fate, that it recognised that the greater part of unemployment was not the choice of the individual, and that here it was necessary to strike out boldly away from the methods of the past. For charity and the Poor Law were incapable of dealing with the situation. The first was inadequate, the second was " to offer to men of good character a system which has been elaborately framed for the punishment of the idle and vicious." [2] Liberals and Socialists were here at one in their demand that it was the duty of the State to provide opportunities for employment for those unfortunates. Elaborate schemes of afforestation, of drainage and road-building were drawn up for this purpose.

Whether the cause was taken to be moral deficiency or industrial change, the unemployed were looked upon as a distinct and separate section of the community. In the one case such reform of the character as would enable the individual to seek work successfully, in the other deliberately organised new occupations to absorb those thrown out of a declining industry or process, were the accepted policies. Very few people indeed had any conception that unemployment was of any greater complexity than this. There were times, however, when it was recognised that men were out of work through exceptional causes. For some obscure reason the trades in which they had been employed could no longer find room for them, not because the trade itself was permanently reducing its personnel, but because it was temporarily slack. Here neither reconditioning nor alter-

[1] John Burns, *The Unemployed*, Fabian Tact, No. 47, 1893.
[2] Herbert Samuel, *Liberalism*, 1902.

native employment, but merely a " tide-over " was called for. Something was needed to help these men, who were likely to be shortly again employed, to maintain themselves without recourse to the Poor Law.

Already in the 'eighties a first step had been taken in the direction of this new policy of keeping the better class of unemployed out of the Poor Law. The Act of 1834, anxious as it was to discourage dependence on relief, had been compelled to permit some out-relief, owing to the insufficiency of workhouse accommodation. Various orders had therefore been issued laying down the conditions in which such relief was permissible. Sudden and urgent necessity was always recognised as constituting a special claim. Sometimes out-relief was given to the family, and the man alone was forced to enter the workhouse. In some Unions out-relief was given even to the man, but only on performance of a piece of work. The work was in the nature of a test of his need for help, and the money granted was definitely not a payment for the job done, but relief to assist his destitution.

These methods differed largely in their efficiency with regard to keeping down the extent of pauperism and to their effect on the family's future economic life. There is no doubt that the " workhouse test " was as deterrent in character as it set out to be. The better class of artisan who met with misfortune preferred to starve rather than allow his family and himself to enter the workhouse. And for those who did enter, the prospects were gloomy. The family was broken up ; the home disappeared ; and when a job at last presented itself to the breadwinner there was no basis on which a new independent life might be built up again. This most serious evil was overcome if the family were maintained in their own home and only the breadwinner was offered " the House." But this too had serious results. Not only was he thrust into a company consisting, at least in part, of the dregs of society, and subject to their demoralising influence just when misfortune had reduced his own powers of resistance, but he was cut off from the industrial world, and therefore had little opportunity of

hearing of possible jobs and regaining his independent status as wage-earner.

" Labour Test " relief had not these objections, and consequently it was not as deterrent in its effects. But it had other disastrous consequences. The work had necessarily to be of a very low class (stone-breaking was the usual task); no standard of competence could be demanded; and no specific amount of work could be enforced. The recipient of relief had to spend so many hours in the labour yard as a condition of receiving his relief at the end; but there was no means of ensuring that whilst there he did work of any value at all. The labour yard attracted in consequence the worst elements in industrial society. The loafer, the scrounger, the work-shy, all those who lived a hand-to-mouth existence by preying on others could, if all else failed them, put in an unwilling appearance at the labour yard in order to get relief from public funds. Such reluctant workers set the pace of the yard. The decent worker out of a job who was forced to associate with them found there was no advantage in exerting himself; there was no reward in either income or prestige, and he gradually sank to their level.

It was the effort to prevent this demoralisation that lay behind the issue of a Circular by the Local Government Board under the presidency of Joseph Chamberlain in 1886. Trade depression combined with unusual severity in the weather caused much unemployment and distress amongst classes of workers unused to applying for Poor Relief. And it was felt that special efforts were called for to relieve the distress of these people. But here arose a difficulty. The Local Government Board was desirous of enabling the respectable unemployed to maintain themselves without recourse to the Poor Laws. But at the same time it was very anxious not to foster the impression that it was the duty of the State to provide employment for its citizens when their ordinary sources of livelihood dried up. It was necessary, therefore, that the provision they offered should not be unduly attractive. The Circular which was issued to Local Authorities and Boards of Guardians pointed out

that there was a considerable amount of work which might well be undertaken by the Local Authorities, the labour for which might be recruited through co-operation with the Board of Guardians. The latter, through their investigations, could sift out the men whom it was desired to keep out of the Poor Law, and hand them over to the Local Authorities to be employed on these special works. But as these men could be drawn from any and every other occupation, the works undertaken had not only to be such as could not compete with ordinary commercial industry, but also such as could be performed by all, whatever their previous training. And in order to prevent the new occupation from being too attractive and delaying the resumption of his usual wage-earning occupation, the wages paid to the man on relief work had to be something less than the wages ordinarily paid for similar work.

It would be idle to pretend that the new policy was a success. The co-operation between the Local Authorities and the Boards of Guardians was not easy. Often the Borough Surveyors were anxious simply to get the job well done and took those who applied whether they had been to the Guardians or not. If they recruited through the Guardians and took on men because they were respectable and had large families, the work was excessively costly and badly done. The rule about wages led to trouble with the other employees of the Council who feared they were being reduced and displaced by relief workers; and it was rarely adhered to. The "less eligibility" of the work was preserved by "rotating" jobs, that is by taking each man on for only a limited period. In so far as this enabled the unemployed man to seek an opening in his own trade it was good; but it also had the effect of attracting loafers and tramps, who came to look upon a few weeks of relief work as a happy means of seeing them through the worst of the winter. It contributed thus to the already long list of casual employments whereby a large floating population of chronically under-employed men was kept in existence.

It was not easy, too, to find enough work of a type

to satisfy all the requirements laid down. The Council employees had some justification for their fear that their scope was narrowed by the employment of others on relief work. Laying out of recreation grounds, and open spaces, sewerage and water-works, cleansing and paving of streets not usually undertaken by the Authority, were the kinds of work suggested. But the amount of this in any locality is limited, and all sorts of subterfuges had to be practised to make the work last out, even to the extent of using man-power for heavy labouring and transporting jobs usually done with mechanical aid, as e.g. a London Borough Council which discontinued the use of their machine brooms in order to employ a large number of men to sweep the streets by hand.[1] Such work necessarily failed of its purpose in maintaining the morale of those it employed. The men recognised that the jobs had been manufactured for the express end of giving them the illusion of having something to do. No standard of competence could be maintained because a man might be of good character and deserving, and yet not have just the knack of the task. The decent men were intimidated by the " professional unemployed " if they did too much. The whole affair was disheartening to the class of men it was intended to help, and very costly and inefficient from the point of view of the Borough Councils. The question arose as to whether it would not be cheaper simply to give money instead of pretending to give work. If the destitute had anyway to be relieved out of public funds, why waste good material in addition ? [2]

Yet unsuccessful as the policy of the Chamberlain Circular must undoubtedly be accounted, it is of great importance in marking the beginning of a new era and starting a new policy which has culminated in the Unemployment Act of 1934. It was the first public recognition of the fact that a man may be unemployed and yet respectable and " deserving " in character ; that is, that the fact of his unemployment and consequent need is not symptomatic of

[1] Beveridge, *Unemployment*, p. 157.
[2] Cf. T. Mackay, " Relief by Means of Employment," *Economic Review*, April 1896, and *C.O. Review*, Jan. 1894.

his dissolute and thriftless habits, but that he may be the victim of economic forces which it is beyond his individual power to control, however sturdy and independent his nature and however efficient in his job. It was a recognition that had many important results. It meant that never again could the " unemployed " be officially lumped together; the need for classification became one of the most urgent problems.

In spite of what some advocates for work for the unemployed may say [said John Burns], I contend, as a socialist . . . that until the differentiation of the labourer from the loafer takes place, the unemployed question can never be properly discussed and dealt with.[1]

It meant again that the emphasis of the problem shifted; from being a question of the unemployed it resolved itself into an analysis of unemployment. What were these forces which snatched from men their livelihood? Could they be prevented or controlled?

The weak spot in all this relief work [wrote Keir Hardie] is that it is dealing with distress due to unemployment and not with the central point in the problem which is unemployment itself. . . . To deal with the unemployed and not with unemployment, is to deal with an effect and leave the cause untouched. It can't be too often repeated that the unemployed question does not consist of giving relief to the destitute, but of finding work for the capable.[2]

The idea in the last sentence points to a further result of this recognition of the social element in unemployment. If social forces prevent a man from earning his living, then it becomes the duty of the State to compensate him for what has been taken. And from now on the socialists began boldly to assert that it was the necessary function of the Government to provide work at recognised trade union rates of pay for all the genuinely unemployed. The Independent Labour Party placed in the forefront of its immediate programme the demand for " provision of work

[1] John Burns, " The Labour Question," *Nineteenth Century*, Dec. 1892.
[2] Keir Hardie, " Dealing with the Unemployed," *Nineteenth Century*, Jan. 1905.

to all capable adults." [1] The Trades Union Congress spoke of the "recognition of the right of labourers to demand employment from the State without forfeiting any of their ordinary civil rights as a "vital principle." [2] Keir Hardie persistently reminded the country that the duty laid on the State by the Elizabethan Poor Law of setting the poor to work had never been repealed.

The Labour group in the House of Commons went so far as to introduce a Right to Work Bill which charged the State with the duty of providing either work or maintenance for the unemployed. Meanwhile the Government had initiated a scheme which carried further the policy begun in 1886 and which developed into the Unemployed Workmen Act, 1905. This Act, which sought to strengthen the co-operation between Local Authorities, the Poor Law and charity, established for every municipal borough and urban district with a population of not less than 50,000 a Distress Committee comprised of representatives of councillors, guardians and persons experienced in the relief of distress. These committees were to study the conditions of the unemployed in their own district, and to attempt to make special provision for those for whom the Poor Law was unsuitable. They could assist men to emigrate abroad or to move to another area at home, provide temporary work or contribute to its provision by other bodies, and maintain labour registers for the purpose of collecting information with regard to men seeking vacancies and employers seeking workers. For the expenses that the committee incurred in its establishment charges, in keeping the labour register and in emigration, the rates were made available to a limited extent. But all other costs had at first to be met out of funds raised by voluntary contributions. The first sums subscribed were of very generous proportions, but it was realised that this was unlikely to continue; and from 1906 Parliament put a sum of £200,000 a year at the disposal of the committees. This represented the very first money out of national funds devoted expressly to the maintenance of the unemployed.

[1] I.L.P., *Statement of Principles*, 1904. [2] T.U.C. Report, 1905.

From the passing of this Act unemployment took its place as a national problem. It was increasingly accepted that the State must do something. The question for the next thirty years was "What should it do?" The answer offered in the Act met with a mixed reception. The trade unions and the socialists welcomed it as a first step; they hailed it as an affirmation on the part of the State of its responsibility for the able-bodied unemployed. They were later bitterly disappointed when the regulations under the Act were issued; for these perpetuated two of the criticised characteristics of the Chamberlain Circular policy. The regulations insisted that the wages paid for work found by the Distress Committees should be at lower rates than those received by men finding work independently, and that the preference in choosing men for such work should be given to men of good character, and with dependents to maintain. The trade unions argued that the Act itself gave no authority for this discrimination. It made the condition of help simply that "the applicant is desirous of obtaining work, but is temporarily unable to do so in circumstances over which he has no control." Investigations into his character and his family obligations were entirely irrelevant.

The Charity Organisation Society on the other hand criticised the new Act as continuing the system of expensive "employment-relief" inaugurated by the Chamberlain Circular. They urged that it was best for charitable agencies which could undertake the necessary detailed individual enquiries to give money to tide the best men over their temporary difficulty, and to leave the others to find jobs for themselves, and apply to the Poor Law if they were unsuccessful.

In the end these latter criticisms proved to be well justified. The Unemployed Workmen Act was a failure, as the Chamberlain Circular was a failure, and for much the same reasons. It aimed at providing definitely temporary assistance to help men over a bad spell, preserve their independence and hand them on to their own jobs with their physical efficiency and morale unimpaired. In fact, it did nothing of the sort, for it is of the nature of relief

work that it " degrades the name of work and disregards the principles of relief." [1] When men are offered employment instead of relief it is difficult to apply to their performance the same standards that would be applied in ordinary work. Men, in fact, were never dismissed for poor or slow work, with the result that not only were all the works undertaken expensive, but men grew expert in doing the least possible amount of work. In most cases the value of the work done was only 30 per cent to 60 per cent of the wages paid. Nor did the men succeed in getting their own jobs when their temporary engagement under the Distress Committee was done. Over and over again the same applicants were found applying.

The principal value of the Unemployed Workmen Act—and it was incalculable in importance—was that it made the community recognise the magnitude of the problem. The nation had gradually come to understand that there were big general movements in economic prosperity which periodically threw out of employment men ordinarily independent. The Act was a measure designed to deal with this, to act as a bridge from one period of prosperity to another, and it was contemplated that the Distress Committees would function only during periods of exceptional distress. Their experience led to more intimate knowledge of the nature of employment—that there exists at all times, even during brisk trade, a continuous movement into and out of employment. Changes in individual trades according to seasonal activity, ups and downs of individual firms, changes of technique, displacement of labour in consequence of changing fashions—all contributed to the constant movement of workers. And the whole was immensely complicated by the existence of a vast number of casual jobs of a low-grade unskilled type which, by reason of their lack of selectiveness, maintained a huge reserve army of under-employed labour. It was this vast viscous mass of casual labour which by its competition for work brought down the standards of the grades of labour above it, and by flooding every scheme of relief work prevented it

[1] Beveridge, *Unemployment*, p. 190.

from carrying out this task of acting as a bridge for the independent artisan. The value of the Unemployed Workmen Act was that it brought to light this fact in such a way that it could no longer be ignored.

> The Unemployed Workmen Act [said Sir William Beveridge] has done a good deal in the way of collecting information. It has done a little to co-ordinate existing agencies and improve in minor points the administration of special relief. It has not made any appreciable impression upon the problem. Its main service has been to demonstrate beyond question its own essential inadequacy and the inadequacy of all measures which, like itself, leave industrial organisation untouched and deal only with the resultant human suffering.[1]

Up to 1905 the main concern of the statesman had been the maintenance of the out-of-work man in such a way as to maintain his employability and preserve his morale and self-respect. From then it became at least as important to evolve a constructive policy for removing industrial disorganisation and thus reducing the actual incidence of unemployment. The reports of the Royal Commission on the Poor Laws and the enquiry made by Mr. (now Sir) William Beveridge, both served to direct public attention on to this task and gave a lead in the formation of a programme. Beveridge pointed out that the trade union returns on unemployment showed that even in the best times unemployment never fell to zero. There were those who argued from this that the unemployed must be unfit or workshy since they remained out of work when there seemed to be a scarcity of labour. But this was not borne out by the facts, because the records showed that even although at two different periods, the number unemployed might be the same, this number was not made up of the identical individuals. At all times some men were found out of work who usually were in good employment and whose employers wrote to the Distress Committees giving them excellent characters. The unemployed could be divided into four categories:

(*a*) those lately in jobs of presumed permanence and likely to be so again;

[1] *Ibid.*, p. 191.

(*b*) those who normally shift from job to job each lasting some weeks or months, e.g. building or navvying ;

(*c*) those depending on casual jobs lasting a few hours each, e.g. dock and wharf labourers, and the fringe in all trades ;

(*d*) vagrants and unemployables.

To class together as unemployable all those out of work during a period of brisk trade is permissible only if the term unemployable is given a rather unusual significance. "The best carpenter in the world is unemployable as a compositor," Beveridge pointed out. This is not to say that the personal factor is non-existent. When a firm is reducing staff the less efficient or regular are likely to get weeded out first and unemployment makes them worse. But if a firm goes bankrupt there can be no selection. All the workers, good, bad and indifferent, are dismissed ; and it is probable that many men then out of work are more efficient than those in work in other firms. In such circumstances, in fact, the steady man might be at a disadvantage, since he has no experience of looking for work and does not know how to set about it. But unemployment as a whole is too widespread and too enduring to be the result of idleness of the men or a collection of accidents to individual work-people or individual firms. It is due to imperfections of adjustment between the demand for and the supply of labour. The army of labour is not made up of millions of undifferentiated units ; it is composed of separate individualities each of which has had its capacities trained or habituated to a particular type of work, each of which lives in a certain locality, is accustomed to look for work in certain directions, and so on. There may, therefore, at the same time be a scarcity of labour in one trade or locality, while men are unemployed in another ; and it is not possible to label these latter " unemployable " except in the special sense noted above. In a short period the supply of workers is more or less fixed ; but the demand for services of different types perpetually fluctuates.

The percentage of unemployed carpenters rises from 2 in August to 6 in December, not because 4 per cent of the men have

become unfit or unwilling to work, but because winter is a bad time for building. When two handicraftsmen are replaced by one man at a machine the change is not in themselves but in economic conditions.[1]

At the same time lack of organisation in the labour market results in more being out of work than is warranted by economic conditions. Men in one trade remain unemployed even when employers in their own trade require them because of the difficulty of one getting in touch with the other.

But even more important was the new light which the experience of such bodies as these Distress Committees threw upon a difficulty in classifying the unemployed. It turned out that a very large proportion of the applicants to the committees were not unemployed in the ordinary sense of the term, but were suffering from chronic *under-employment.* There were many occupations in which the demand for workers was of necessity extremely irregular. The demand for dock-workers, for example, depended upon the season, the weather, the state of trade, and a host of other factors outside the control of the employer of dock labour. But whilst this is the best-known and most obvious example there were many other trades in a similar position. The manager at a big warehouse never knew from one day to the next how many store-porters he would require; it depended on the orders he received during the day. During holiday times the railways needed extra men to act as porters, and the Post Office took on further supplies of labour. The requirements of the iron and steel industry for labour for stacking and shipping iron ore and crude metal were essentially irregular. Carmen again were very casual. In London at this time 5,000 out of 42,000 carmen were idle even at the busiest time and only two-thirds of them were on a permanent staff.[2] In fact, practically every industry had a fringe of odd jobs even if its main personnel had a fair degree of permanency.

All these occupations showed the same characteristics.

[1] Beveridge, *Unemployment*, p. 132.
[2] Royal Commission on the Poor Laws, Majority Report, p. 336.

The work was unskilled and could be performed without any training by men of very ordinary standards of physique. There was, therefore, it seemed, little advantage to be gained by the employer in exercising any selectiveness in his choice of workers. All he needed to be sure of was that there was a ready supply of labour forthcoming at a moment's notice ; and so large was the number of unskilled labourers always available, that he need have no fear of being held up for lack of hands if he relied upon engaging some of those that presented themselves at his gates.

It was one of the particular disadvantages of this type of employment that it offered so little chance of escape. The casual labourer could rarely rise to a better job because his work gave no opportunity for building up an " industrial character " of the sort that domestic servants or seamen, for example, find essential. The casual labourers were an undifferentiated mass. Occasionally a foreman might grow to recognise a certain man as having done steady work and so give him a first chance of a job. But for the most part there was no discrimination between deserving and undeserving, and therefore no stimulus to the worker to do a job as well as he could.

There might remain the same amount of work to be done next day as on the previous one, but the men employed one day had no guarantee that they would be taken on the next. Every day showed the same mad scramble for jobs by thousands of men, including not only those who sought to make this industry their regular source of livelihood, but also the unemployed from other industries, and the thousands of semi-unemployables who looked for half a day's work to eke out what they got by begging or in other ways. This casual method of engaging labour emerged as the biggest factor in maintaining a much larger reserve of labour than was necessary for the staffing of industry. It was these men, chronically under-employed, who swamped the Distress Committees. It was the competition of these men which lowered the wages and standards of all other wage-earners. It was this type of labour that was the chief inhabitant of the slums.

Of all the causes or conditions predisposing to pauperism [said the Minority Report of the Royal Commission on the Poor Laws] the most potent, the most certain and the most extensive in its operation was this method of employment in odd jobs. Contrary to the expectation of some of our number, and of some of themselves, our Investigators did not find that low wages could be described, generally speaking, as a cause of pauperism. They were unable to satisfy themselves that insanitary conditions of living or excessive hours of labour could be shown to be, on any large scale, a cause of pauperism. They could find practically no ground for believing that Outdoor Relief, by adversely affecting wages, was itself a cause of pauperism. It could not even be shown that an extravagant expenditure on drink, or a high degree of occasional drunkenness—habits of which the evil consequences can scarcely be exaggerated, and which are ruinous to individuals of all grades—were at all invariably accompanied or followed by pauperism. All these conditions, injurious though they are in other respects were not found, *if combined with reasonable regularity of employment*, to lead in any marked degree to the creation of pauperism. Thus the regularly employed railway porters, lowly paid though they are, contribute only infinitesimally to pauperism. Even the agricultural labourers, in receipt perhaps of the lowest weekly wages of any section of the wage-earners, do not nowadays, so far as they belong to the section in regular employment, contribute largely to the pauperism of adult able-bodied life. Again, though the average consumption of alcoholic drink among the miners, the boiler-makers, the iron and steel workers and many other trades appears to be enormous, these trades do not contribute largely to pauperism. On the other hand where high earnings and short hours and healthy conditions are combined with the method of casual employment—as is the case with some sections of wharf and riverside labourers, and of the men who labour in connection with furnaces and gas-works—there is found demoralisation of character, irregularity of life and a constant recruiting of the pauper army.[1]

The unemployment problem turned out then to be a very much more complicated matter than had been expected. Classification of the unemployed had been the cry at the end of the nineteenth century,[2] but classification was not the

[1] Royal Commission on the Poor Laws, Minority Report, p. 1173.

[2] "Speaking broadly, the line of cleavage so far as the possibility of effective treatment is concerned is between the group of unemployed whose reduced physical condition is mainly a result of the loss of work through industrial causes and those with whom the loss of work is mainly the result of defective personal qualities." Report on Agencies and Methods for Dealing with the Unemployed, C. 7182/1893.

simple matter it had been assumed to be. How separate the sheep from the goats? There were no means of distinguishing. A group of men, given one set of conditions, developed into independent citizens; given another, became half-employables and finally paupers. The industries depending on casual labour were factories for the mass production of the half-employable, and it was useless to try by harsh treatment to cure one set of their products and leave the factory to turn out thousands to take their places. Nor was there any boundary between casual labour and steady employment. Jobs shaded off in their degree of permanency from one extreme to the other, and almost every industry had an outer fringe of completely casual workers. It was practically impossible to determine the causes for the unemployment of any individual. There was such a complexity of industrial and personal factors that combined to produce a given situation. Suppose a man was dismissed because his firm was doing badly. But perhaps he would not have been dismissed if he had not been rather below the others in efficiency, or if he had not been so often late for work, or irregular in his habits. One man when dismissed because of bad trade moves heaven and earth to get another job; a second, out of work for the same reason, makes only listless efforts and hopes for something to turn up. One cannot in any of these cases state with precision to what extent the fate of the individual is in his own hands and to what extent he is the victim of impersonal forces. Yet according to the character and temperament of the unemployed man will he respond to different methods of treatment. But the difficulty was not solely that of attributing the proper degree of responsibility. It was also in prescribing the right provision to make. The provision offered had to be such as would enable the unemployed man to maintain his self-respect, his physical efficiency and his industrial skill, and yet not such as would prove so attractive as to induce men to continue with it if ordinary employment in industry became available. The life of the casual labourer, however, was so impoverished that it was impossible to devise any form of relief which would

not be more attractive in this sense, unless at the same time it was inadequate and degrading. When the only alternative to supporting oneself was relief in the workhouse, the majority of casual labourers preferred to eke out a precarious existence by picking up a succession of odd jobs, rather than apply for help. But employment on municipal relief-works, unattractive as it might be to the skilled workman or factory worker, provided steady wages, even if only for a restricted period, for work no more arduous than the casual labourer was accustomed to, and therefore exercised an attractive rather than a deterrent influence. This is the insoluble problem with which the Poor Law has always been confronted, and which will continue as long as there remains any considerable number of the community who are unable by their independent efforts to provide themselves with what society considers a reasonable standard of living. For it is impossible to make Public Assistance both less attractive than such independence to the recipient, and at the same time beneficial to his character.

Consideration of this problem gradually made it clear that the matter must be tackled from the opposite end, by a policy which would prevent unemployment from occurring, or at least reduce its incidence to a minimum. And as so much unemployment was demonstrably due to (*a*) the maladjustment between the demand for and the supply of particular types of labour, and (*b*) the casual method of employment, it was clear that reform demanded firstly such an organisation of the labour market as would minimise these maladjustments and secondly the decasualisation of the unorganised industries. For both these purposes the establishment of National Labour Exchanges was urged.

II

Labour bureaux were by no means unknown. Most of the trade unions had organised means of collecting information with regard to vacancies suitable for their members, and in many instances these had grown into properly con-

stituted registries, to which employers sent requests for workers and where unemployed members reported for jobs. Others circulated amongst their members information with regard to the state of employment in different districts; and even when this was not done formally, branch meetings were a very good opportunity for unemployed members to hear of possible openings. Sometimes those in work were given an incentive to help place their fellow-members by the payment of 6*d*. for every man whom their information helped to get "off the books." When there seemed a chance of men getting work in another district, a "tramping benefit" in the form of a daily allowance was given by some unions to enable their members to search further afield. But this often proved a snare and had to be discontinued; it was too strong a temptation to those of a roving disposition to move about unnecessarily, particularly during the summer months.

Apart from the trade unions there were several institutions which included, generally as a minor part of their activities, the attempt to find work for their members or those amongst whom they worked. Agencies for the after-care of prisoners tried to place men when they came out of prison; the Metropolitan Association for Befriending Young Servants and the Girls' Friendly Society both tried to get girls jobs in domestic service, though in this occupation placing was more in the hands of registry offices run for profit. The Charity Organisation Society was prepared to help place its applicants, only in the most exceptional circumstances, for it was part of its creed that the search for work was best carried out by the worker himself and was, in fact, an important element in his training as a citizen. The Salvation Army registered applicants for work and relief, and was sometimes successful in drafting them into jobs. But for the most part the work it offered was in its own workshops, and was in the nature of a test of suitability for relief rather than independent work for wages. The Friendly Societies which existed principally to provide sick and funeral benefit, recognised the tragedy involved in a man's inability to keep up his payments through

lack of work, and sometimes allowed travelling benefit, to enable a member to seek work in another town.

But the Labour Bureaux as a distinct organisation designed to centralise the demand and supply of labour, had hardly as yet materialised at all in this country, although in many countries on the Continent, notably France and Germany, they had existed for many years with considerable success. The earliest Act of Parliament which had reference to this subject was the Labour Bureaux (London) Act 1902, which gave permission to the council of any Metropolitan borough to establish and maintain a labour bureau and pay its expenses out of the general rates. But there was no compulsion on the councils to make use of their powers. Very few of them did so, and those that went so far as to establish bureaux showed very little interest in their organisation and development. There was no attempt to get any interchange between the different bureaux; the men in charge were usually lacking in the requisite knowledge and training for their very difficult task; and for the most part they degenerated into offices where the Borough Surveyor might sign on men to act as scavengers, etc. The Unemployed Workmen Act 1905 similarly empowered Distress Committees to maintain employment registers; but here again their association with relief work had the natural consequence of making both the independent workman and the employer fight shy of them. Only in London was the opportunity taken to establish Labour Exchanges which had no connection with relief work. The Central (Unemployed) Body for London which was the authority for the 29 Distress Committees of the metropolitan area, decided at the outset to form a separate committee under the Chairmanship of Mr. (now Sir) William Beveridge to establish a system of Labour Exchanges which should devote its entire energies to acting as a clearing house for jobs and workers in ordinary independent employment. The Board of Trade could discover only 25 such bureaux in 1893,[1] and by 1906 most of these had disap-

[1] Report on Agencies and Methods for Dealing with the Unemployed, C. 7182/1893.

peared.[1] These bureaux were of two types. Some, such as those of Ipswich and Egham, which were the oldest in the country, restricted their help to men with good references, leaving the old, vicious and incapable to other agencies. This was not difficult in a small town where the men in charge knew the character of the applicants and specific enquiry could be reduced to the minimum. But in big towns personal investigations had to be carried out, and many men objected to the idea of the " character note." Yet the unrestricted bureaux found it difficult to induce either employers to notify their vacancies or the best workers to apply for jobs. They were used mainly by the unskilled who hoped to get taken on for municipal relief work, and their connection with this work obscured their function as clearing houses for independent labour. Neither the Report of 1893 nor that of 1906 was very hopeful of any real growth in their usefulness. For the organised trades, a well-managed trade union was considered a much more effective means of bringing together workers and employers. For the unorganised and unskilled, it was thought exchanges might be of more use provided they definitely severed all connection with relief work, and were run by men of energy, tact and judgment in a locality sufficiently small to make investigations of the character of applicants unnecessary.

Both these reports failed to realise the real significance of the problem. They criticised the bureaux as being of little real value in reducing unemployment because they could not " make work." Their existence could not result in there being any more openings for men than industry provided ; all they could do was to reduce the time spent by employers and workers in looking for one another. But the point they failed to grasp was that this reduction in time lost, was itself a reduction in unemployment. A great deal of unemployment was completely unnecessary. On the strength of a rumour, men flocked into the district at the cost of much expense and suffering to find that all the vacancies were filled, whilst at the same time

[1] Report made to President of the Local Government Board, by Arthur Laurie, Esq., 86/100.

other work-places in another locality were understaffed. No means whatever existed of preventing this waste. The early bureaux failed because they were so badly run. Their frequent association with relief work ruined their reputation amongst both employers and men; they were staffed by municipal clerks with no training for their special work; they were supervised by chance committees of the local authorities with no knowledge of the problem and no interest in it. Their real function of bringing together employers and workers was hampered by absurd rules, such as that the manager in choosing men for a job should take into account the size of the applicant's family or the length of his residence in the town. Each bureau was a unit and worked in complete independence of the others, so that there was little chance of hearing of openings in other places. With such defects Labour Exchanges had come to be regarded "as an innocent diversion for those who like to play with the unemployed problem instead of solving it," whereas with proper organisation they might be "one of the most thorough-going and indispensable measures of industrial reform." [1]

When it is considered that the development of specialised markets is usually accepted as one of the signs of increasing efficiency of an economic organisation, it seems astonishing that there should have been this difficulty in persuading people of the value of such a market for labour. It seems obvious that it should be equally advantageous to know where to buy and sell services as to know where to buy and sell raw material or borrow and lend capital. But the organisation of the labour market was doubly important; not only was it necessary for improving the efficiency of industrial organisation but also to minimise those serious social evils which enquiry was showing to be inevitably associated with casual methods of engaging labour.

Gradually all responsible authority was coming to be agreed on this point. The Trades Union Council passed resolutions every year urging the establishment of National

[1] "Notes and Memoranda," W. H. Beveridge, *Economic Journal*, Sept. 1906.

Labour Exchanges. However serious their disagreement on other matters the Majority and Minority Reports of the Royal Commission on Poor Laws were at one in emphasising the importance of the organisation of the labour market on a national basis, under the direct control of a Government Department. The Majority argued that the failure of the earlier bureaux was due "not to any innate defect in the ideas which they embodied, but rather to their inchoate and disconnected character and to their overclose association with the faults and failings of particular Local Authorities."[1] Even those authorities which had gone so far as to establish them had been lukewarm in their support and unwilling to spend either thought or money on them. An inadequately paid staff and unsuitable offices were all that was provided; there was no publicity arranged by which the community might be made aware of the facilities offered; there were no attempts to get in touch with the employers of the district and persuade them of the advantage of notifying their labour requirements to the bureau. In London alone where the system was worked on a scientific, if limited basis, the comparative success of the bureaux showed what might be accomplished if the scheme were properly tackled. But the experience of London pointed to the necessity for a system which was national in extent. For whilst their central organisation enabled the bureaux to do more than had ever been done before in bringing together men and jobs over a wide area, every week showed a number of vacancies which it was impossible to fill from the available workers in London, and which would have offered opportunity of employment to men recruited elsewhere, if only there had been some means of getting in touch with them. Every year the Metropolitan Exchanges were receiving notice of from 30,000 to 40,000 vacancies, of which they were able to fill about 25,000. Of these, an average of about 100 situations a week were filled from applications in other districts than the one in which the job had been notified, testifying to the importance of clearing arrangements stretching over a

[1] Royal Commission on the Poor Laws, Majority Report, p. 400.

wide area. But even so, many demands for workers of special type or experience went unsatisfied because the boundaries of the system were so narrow. If the Labour Exchanges had been able to draw on the whole country these employers would have got their desired men, and many fewer workers would accordingly have been out of employment.

The Minority Commissioners were even more emphatic in their insistence on the prime importance of such a national organisation. In the comprehensive scheme that they drew up for the prevention of unemployment the National Labour Exchange was the foundation. Whether they were considering the problem presented by the distress caused by the undue prolongation of an interval between jobs usually more or less permanent, or the chronic state of under-employment in ports and all big towns, or the lack of systematic provision for training in new means of livelihood for men displaced by industrial changes, or the need for separating the unemployables from the others, the Labour Exchange was the necessary beginning. Not that the Exchange in itself could be an adequate remedy for all these ills but its existence was an "indispensable condition of any real reform." [1]

So important did they consider it to be, that unlike the Majority who hoped that the Exchanges would gradually commend themselves to the public by their usefulness, the Minority recommended that an element of compulsion be introduced. The need for such a clearing house for labour was not equally urgent in all trades. In those occupations such as spinning, printing, agriculture, where men usually remain in one place for a long time the necessity for finding a new job may occur only rarely and, particularly in the organised trades, men have a good idea where to look for work. For such industries the use of the Exchange might be left to the discretion of the worker and employer. But for those who must continually shift from job to job, such as the navvy, the bricklayer, the plumber, the plasterer, the need for information is a constantly recurring one.

[1] *Ibid.*, Minority Report, p. 1180.

Here especially the efficient Labour Exchange could prevent all " leakage " and get rid of that vague and aimless wandering in search of work which leads to demoralisation, hopeless despair and vagrancy They suggested that certain of these trades might be scheduled, and all engagements in them made through the organisation of the Exchange and registered in its books even although the actual engagement did not take place in its offices.

But it was in relation to the " casuals " that their most drastic proposals were made. The problem to be solved was the existence of a surplus of labour over the maximum requirements ; a surplus which came into existence because each " taking-on " place lacking connection with any other supply of labour tended to develop its own reserve. As, by the nature of these trades, complete regularisation of demand for workers was impossible, an improvement could be effected by substituting one common reservoir of labour for these innumerable " stagnant pools." Without compulsion such a development was practically impossible. It was not sufficiently to the interest of any one employer for anybody to be prepared to take the time and trouble to convince his fellow employers of its value. The men, too, were hostile ; partly because each man was afraid that he would be one of the surplus to be turned off and even more because the irregular work bred irregular habits. It was the " docker's romance " that he was the only worker who could take a day off whenever he liked without in any way imperilling his future chances.

There was a precedent for compulsion. For nearly half a century the Board of Trade, acting under the authority of the Merchant Shipping Acts, had been conducting what amounted to a Seamen's Labour Exchange through the Mercantile Marine offices. It was compulsory for all ships' crews to be signed on in these offices. The Superintendent was present to see that the contract contained no clause in contravention of the law, but otherwise master and man were perfectly free to make any arrangements they liked. The offices were situated at points most convenient to the trade, and open at suitable hours. For example an office

might be open at midnight to sign on a crew for a ship which had to catch the night tide. If there was a dearth of suitable men, the Superintendent might telephone to the next office and have a man sent on from there at the master's expense. Half a million jobs a year were filled in this way, and it was a significant testimony to their value that it was rare for a seaman to appear as an applicant before a Distress Committee.

A similar procedure was suggested for the casuals. All employers who were unable to guarantee their workers a minimum of one month's employment (subject, of course, to dismissal for bad conduct) should be compelled to hire their labour through the Labour Exchange, the offices of which should be run like the Marine Offices, at places and during hours to suit the employers' convenience, and in telephonic communication with one another. For the employer the restriction would be very slight. He might take on any man he chose, and he might employ him for an hour or a day or any other period; but he would be forbidden to take on any man for less than a month except through the Exchange. For the worker it would mean that instead of depending on one particular wharf or stand, the whole aggregate demand for odd-job labour in the town would be open to him. Subject to the desire of the employer for particular individuals, the Exchange would attempt to dovetail the engagements offered to each worker, so as to ensure that each man employed at all had five or six days' work a week. Such a system would combine the freedom of the employer to hire only for a job, with practical continuity of work to the person employed, and by sifting out the unemployables, force up the level of the rest. "It will replace the casual class, always on the verge of distress, always without reserves for an emergency, by a class for whom the words foresight, organisation and thrift may represent not a mockery but a reality." [1]

It is clear that the operation of such a plan would, by concentrating the available employment on a number of

[1] Royal Commission on the Poor Laws, Minority Report, p. 1187, quoting Beveridge.

fully occupied men, leave a surplus without even odd jobs to support them; and a State which prevents these from securing even a precarious subsistence must necessarily provide for them in some other way. The decasualisation of dock work would undoubtedly leave free a number of other jobs. For it was mainly from amongst the families of casual labourers that the largest number of married women workers were drawn. There was little doubt that the steadier income of the husbands would offer a welcome opportunity to those with young children to retire from industrial work. But this in itself was unlikely to provide sufficient openings for the displaced men. Fortunately the Minority Commissioners were ready with two other reforms which, desirable in themselves, were doubly so in allowing the absorption of this surplus. The first suggestion was for the reduction of the hours of railwaymen and tramwaymen which were found to be intolerably long. The second and more important was the halving of boy and girl labour. The effect of industrial employment on juveniles had long been a matter of concern to educationists and reformers. The majority of boys and girls on leaving school were thrust into blind-alley jobs which gave no training in either character or trade. Parents with little leisure could exercise scarcely any control over them once they were earning, with the result that many thousands reached maturity without a chance to develop those qualities and capacities on which the maintenance of an independent living depended. A shorter legal working day for juveniles would provide the opportunity for physical training and technological education. It would at the same time reduce the eagerness of employers to take on relays of boys and girls as cheap labour, to be dismissed as they reached the age when better pay could be demanded, and thus leave a larger number of openings for the unskilled men displaced from the docks.

Much, then, was hoped from the Exchanges, whether compulsory or voluntary. Men in seasonal occupations might be helped to discover work in other trades during the slack season for not all industries are at their busiest at the same time; boys and girls fresh from school might

be guided into industries that were likely to be able to absorb larger numbers in the future, instead of crowding into occupations in which the demand was on the decline; under-employment might be reduced. And moreover the whole problem of unemployment would be clarified. It has been seen that all previous attempts to deal with the unemployed came to grief because of the difficulty of separating the unemployable from the genuinely unemployed man. The public conscience was uneasy at leaving the out-of-work man to the Poor Law because of its necessarily deterrent character. Unless Public Assistance was made so unpleasant that nobody would voluntarily demand it, there was no guarantee that men would make any effort to find work and preserve their independence; yet experience proved the impossibility of deterrence without the demoralisation of the recipient. Once the labour market was organised this difficulty would disappear. For here was an adequate test of whether the out-of-work man was the victim of circumstance or a malingerer. If the Exchange had a register of all available work it could make the best test possible of a man's bona fides by offering him a suitable job. If he refused it he had obviously no strong claim on public funds. If there were no such job to offer, it was equally obvious that no amount of deterrent treatment would force him back into work.

The Labour Exchange system was regarded as the essential basis for a whole series of reforms which without it would be impossible. For however successful such a system might be, it could not offer a complete solution of the problem. It could ensure that whatever jobs were available were rapidly filled, but it could not increase the actual number of jobs. It could do nothing to reduce the cyclical fluctuations of commercial prosperity; it could not prevent big changes in taste having their effect in causing the decline of an established trade; it could not avert the effects on the demand for labour of climatic changes, or natural and unforeseen catastrophes. However perfectly such a system might work, a very considerable volume of unemployment would therefore remain. Two other things, then, had still

to be done. Firstly, means had to be found to reduce the amount of unemployment; secondly, maintenance must be provided for those still out of work.

III

From the time of the Royal Commission on Labour the existence of cyclical fluctuations in trade had been officially recognised as a principal cause of unemployment. But the attitude to them remained remarkably fatalistic. No adequate explanation of these big changes in commercial and industrial activity had been put forward, and it was common to accept them as an act of God beyond human power to avert, as the "shadow side of progress." Except for the socialists who based a large part of their indictment of capitalism on this very irregularity and its attendant evils, and who consequently urged the complete reorganisation of society, there was no belief in the possibility of reducing the volume of unemployment by preventing the cycle in trade from taking place. Perhaps the general inaction was due to the belief that *laissez-faire* had worked well in the earlier part of the century and that no conscious planning or fundamental regulation of industry by a central body could have anything to commend it. The suggestions that were made took the cycle for granted as, so to speak, one of the given facts of the situation. But it was believed that careful policy could obviate a considerable part of its evil effects.

Whatever the fundamental cause of the trade cycle, it expressed itself in a piling up of demand at one period and a slackening off at another. At one time the rush to complete orders led to the setting up of additional plant and to the overwork of labour; at another, factories had to close down and workers were unemployed. If, then, it were possible to transpose a certain section of the demand from the rush to the slack period a great deal of waste could be prevented, and workers would have steadier employment. Now it was fairly certain that no amount of persuasion could induce purchasers to postpone their buying during a busy season; for it is just at such times that higher profits and

regular wages make everybody feel that at last they are able to afford to spend a little more easily and to enjoy luxuries that before were denied them. But although such foresight, self-control and social sense cannot be expected in this degree in the individual purchaser, there is some right to demand it from a public authority. £150,000,000 was spent annually by public authorities; and for much of this expenditure the amount of the purchase could be varied within a year or two. The making of roads, the building of barracks and post offices, the making of armaments, the development of afforestation schemes, and so on, are all enterprises for which the authority can choose its own time. And here was presented an opportunity for some spacing out of the big fluctuations in industrial activity. If public authorities were prepared to make a plan of their necessities for ten years at a time, they could concentrate their demands on the period when the purchasing of the ordinary public was beginning to show signs of slackening. Not only would this provide a more regular demand for labour; it would also be of advantage to the authorities themselves; for instead of forcing up prices during the rush by their competition for a scarcity of material and workers, they would be able to buy when the fear of over-production was bringing prices down.

This proposal was put forward by the Minority Commissioners; and when their criticism of the policy of Relief Works is recalled it may seem at first sight surprising that they should lay so much stress on the remedial possibilities of Government employment. It is important to realise the fundamental distinction between their proposal to use Public Works as a corrective of the trade cycle, and the Relief Works that had been previously instituted.

It was the prime difficulty of Relief Works that they were attempting to provide an additional volume of employment for men of all sorts of occupations who found themselves temporarily thrown out of their usual work. The work undertaken had therefore to be something that would not have been done in ordinary circumstances; it had to be such that it would not compete with commercial under-

takings; and, finally, the nature of the task involved had to be such as could be undertaken by men of widely different industrial experience. Its nature as a temporary stop-gap implied also that those taken on should have no inducement to continue in the work, but should have every encouragement to go back into their normal occupation as soon as opportunity arose. Now the proposed Public Works had none of these characteristics. They were jobs that would have to be done in any case: it was simply a question of choosing the most suitable moment to do them. They could therefore be undertaken in exactly the same way and by employing the same types of labour as any other similar enterprise. The men employed would be the men customarily employed in that trade, taken on in the usual way, working for standard rates of pay, doing a full day's work, and liable to dismissal in the ordinary way if their work was not up to standard. Such works were not conceived of as representing a method of absorbing the unemployed, and avoiding the demoralising effect of a system which gave men something for nothing. They were rather one means of preventing the necessity for the absorption of unemployed men from arising. From one point of view they would not create any additional employment at all; they would simply transfer a volume of employment from one period to another. But this view is to forget their effects. The steadier employment which they made possible would have its influence on industries that might seem entirely unconnected, since the profits on materials, the interest on the capital and the wages of the workers would provide a market for every class of commodity being produced.

There are, without doubt, difficulties in such a scheme. It is conceivable that it might be used by a reactionary authority as an excuse for postponing really essential activities; for example, the building of a new school might be shelved on the grounds that trade was brisk, and conveniently forgotten later when industry was slack. It is a policy whose application demands high qualities of judgment, foresight and administrative ability on the part of

public officials. An elected body might shrink from incurring increasing expenditure at a moment when a large part of its constituents expected to be faced by lower profits and wages, or even unemployment, and might fear loss of support if it tried to convince them of the constructive value of such expenditure. But these difficulties are not insuperable. If the enterprises were paid for by loan, the repayment would be made later during the good times when taxes were easier to bear and when the completed enterprise was presumably already proving its worth.

It might be as well to point out here that this policy has never really been applied. At any period of more than average unemployment there has invariably been a hasty improvisation of relief works with all their attendant disadvantages; but no public authority has yet undertaken the deliberate long-period planning of work that would in any case have to be done some day.

There remained still the problem of maintenance for those for whom no employment could be found. Since Poor Relief was definitely discredited by a very large body of persons it was necessary to find some alternative method. Attention was directed towards the possibilities of insurance on the lines of the schemes already operated by many of the Trade Unions. "We can't abolish unemployment, therefore we ought to insure against it," [1] became the plea; and since any man might become unemployed there must be devised a comprehensive scheme to cover the risk—a scheme which should be non-pauperising and non-degrading and which should leave the worker in the labour market free to seek ordinary work at his own trade. For the really urgent need of the unemployed workman is not that he should immediately be put to work, if his own trade is slack, but that he should not drop out of his trade, break up his home or in other ways fall out of the industrial ranks. The Poor Law Commission added the weight of its authority to the opinion that the establishment of unemployment insurance was of such paramount importance in avoiding

[1] Cf. "Unemployment from the Unemployed Point of View," by T. Good, *Nineteenth Century*, Jan. 1909.

distress as to justify, under specified conditions, contributions from public funds towards its maintenance.

In certain parts of the Continent where the State had already developed a policy of encouragement of insurance, two distinct methods had emerged—general insurance and trade-group insurance. General insurance implies the maintenance of a scheme for which all classes of workers are equally eligible. Such a system, if run on voluntary lines, however, results in an accumulation of " bad risks." Only those who expect a fair proportion of unemployment are prepared to pay the premiums ; and the solvency of the fund is difficult to maintain, unless the benefits are very small, or the premiums impossibly high. A compulsory general scheme, on the other hand, has its own difficulties. Until the scheme has been some time in operation no statistics are available by which premiums and benefits can be accurately computed ; and it would be necessary for the authority constituting the scheme to determine these arbitrarily. The only attempt to establish such a system, in the little Canton of St. Gall in Switzerland, had been unsuccessful owing to the revolt of the better-paid and more regularly-employed workmen.

In the Trade Group system, on the other hand, a number of separate funds are maintained for different groups of workers, mainly, of course, on the basis of trade union organisation. Here there is less likelihood of accumulating " bad risks," since the members are associating primarily for other purposes than that of insurance. The risks are calculated by the group itself and are voluntarily borne. Supervision against fraud is less expensive because the available work is usually well-known, and it is to the interests of members to see that nobody benefits unless he has a right to do so. The municipality of Ghent had initiated a policy which had been widely copied in other parts of Belgium and in France—that of subsidising the Trade Group funds in proportion to the amount directly contributed by the members. It was this scheme which was recommended by both the Majority and Minority Reports. The Minority Report, however, was not as emphatic in its condemnation

of the comprehensive scheme. It gave as its opinion that a compulsory system might be applied successfully to certain selected industries, where there was a fair continuity of employment together with comparatively good wages, provided that the use of the Labour Exchange was made obligatory on both employers and employed. But in such trades the necessity for a Government scheme was less urgent than in those where these conditions did not apply; and here they agreed with the Majority that only the trade union basis could prevent an undue weighting with bad risks.

The obvious criticism of the Ghent system was, of course, that it did nothing for just those masses of unorganised, badly-paid workers for whose sake some constructive scheme was particularly required. The Majority frankly gave it up as an insoluble problem. They hoped that the subsidy system would give an impulse to the unskilled labourers to form organisations, but concluded, "Unless some such combinations are formed amongst the unskilled workers we do not believe it to be possible to improve the conditions of these low-grade workers."

The Minority refused to give way to despair in this manner, and propounded a scheme which was quite revolutionary in its implications. They recommended that every unemployed person should have the right to be freely maintained out of public funds, provided he was prepared to submit to a training which would aim at developing both his physique and his industrial capacities. An enormous number of working men were proved to be "out of condition" as a result of prolonged inadequate or unsuitable feeding, overcrowding in their homes, complete ignorance of the laws of hygiene and sanitation, and lack of physical exercise. Medical advice and physical training under supervision could do much both to improve the physical efficiency of the men themselves and to educate them for the future. With regard to a large proportion of those who had come before the Distress Committee, the obstacle to their employment was not only the low standard of their physique, but their lack of those industrial qualities which employers demanded in their workers—a certain degree of

initiative, adaptability and stability. In many cases this lack was due to no inherent defect in the applicant, but to bad early experience or too early a specialization along one line. A man who has done the same job for twenty years has gradually adjusted himself completely to his employer's requirements, and whatever other faculties he originally possessed have atrophied—like those of Mr. H. G. Wells's Selenites in *The First Men in the Moon*. In order to fit him for other work he needs to have these faculties roused and developed. The Minority felt it was impossible to estimate how many of those who were counted as approaching the unemployable found themselves in this category for lack of this essential stimulus and training.

"Maintenance under Training," insisted their Report, overcomes the difficulties traditionally associated with the Poor Law and with the Employment Relief of the Distress Committee. It escapes the demoralizing and pitiful pretence of the latter that the men on relief are really earning their own living. It avoids the dilemma of discovering work which everybody, however low-grade, can do without further training; such work finally resolves itself into something of the navvy type and thus accustoms a larger number of people to an occupation already full to overflowing. But above all, it is constructive. It gives new hope to the applicant and stimulates him to further efforts. Nor need it be feared that maintenance under these conditions will prove so attractive that men will lose their anxiety to return to normal wage-earning, or will no longer find it worth while to insure in their Trade societies. For the normal man prefers to be his own master and determine his own activities. And for those who could get it, a job which left one free to spend both income and leisure as one wished, or an unemployment benefit paid without attendant obligations, would undoubtedly seem preferable. The purpose of the maintenance scheme was to insure that the public money spent in providing for those who were unable to provide for themselves should be in the nature of a communal investment, instead of a destructive influence, as in the past it had so often been.

Even the Minority Commissioners, comprehensive and all-embracing as their scheme at first sight appears, had left one very big gap in their provision. They assumed too easily that for anybody other than the low grade labourer, trade union membership was easy of accomplishment. But in 1909 the total membership of all trade unions was only just over two and a quarter millions, and of these the great majority were in unions belonging to half a dozen big industries. For an enormous number of workers, attachment to a trade union and consequently a share in the proposed Government subsidy was not a matter of choice. No such organisation had yet made its appearance in the occupation to which they were attached. It would be possible, of course, for them to do as others had done before them, and establish such a society. But this required qualities of organisation, perseverance and endurance that were not universally possessed. Yet a man might be incapable of being the pioneer in union organisation and still have industrial capacity of quite a high order. Such a man when he falls out of work does not need training. The duration of his unemployment is uncertain ; it may be a day or a month or longer. But it is important that he should be available for work whenever it turns up. There is no point in taking him off to a training establishment to learn a new job. He will be absorbed in his own as soon as the temporary slackness is past. What he needs is not training, but help to retain his industrial efficiency. It was in regard to this very large section of the working population that the proposed Ghent system was inadequate. But the divergence in opinion of the Majority and Minority Commission over the large body of their recommendations served to throw into relief the degree of unanimity they had reached as to the best methods for dealing with unemployment and the unemployed ; and action quickly followed on their reports. When Mr. Winston Churchill, as President of the Board of Trade, outlined in the House the Government's proposal for the organisation of the labour market, he was able to claim that the scheme had gained support from so many different sections of the community as to be considered a

non-controversial issue.[1] Even *The Spectator* gave it its benediction, though it coupled with this a solemn warning against the proposed Exchanges making labour too mobile and encouraging workers to run about the country on the offchance of a slightly better job.

The scheme outlined by Mr. Churchill, and which later was passed practically without opposition as the Labour Exchanges Act, 1909, made provision for a national system of labour exchanges to collect and furnish information about vacancies. The Government had decided, against the recommendation of the Minority Report, to maintain the voluntary character, on the ground that decasualisation of labour would result in a body of surplus labour for whose reabsorption into employment they were as yet unprepared. At the same time they realised that there was very real danger that voluntary exchanges might be shunned by the best class of workers and come to be looked upon as relief agencies for low grade labour. But they urged that the Labour Exchange system should be judged not as an end in itself, but as the first step in a bigger plan. A system of compulsory unemployment insurance, starting, as an experiment, with a well-defined group of trades, was to be instituted. Such a plan could have no hope of success without an efficient Labour Exchange which could test the claim made by the applicant that he was involuntarily unemployed; and the obligation laid on the workers in this large group of industries to notify their lack of work to the Exchanges would prevent these from being considered simply as agencies for dealing with the unskilled. Thus the two schemes must be considered together. As Mr. Churchill insisted: "They are man and wife; they mutually support and sustain each other." So essential was a well run Exchange to any insurance system that it was decided to postpone the insurance part of the joint policy for a couple of years to enable the Exchanges to overcome their initial difficulties of organisation, and learn sufficient of their work to be able to cope with the flood of applications that would inevitably accompany compulsory insurance.

[1] Parliamentary Debates, 1909, Vol. V.

It may be convenient at this point to discuss the success of the attempt to organise the labour market before going on to consider the methods devised for the maintenance of the unemployed worker.

The system of national Labour Exchanges set up in 1909 has remained practically free from legislative change since that date. The transference of the Exchanges from the Board of Trade to the Ministry of Labour, when that department was established in 1917, and their change of name to Employment Exchanges constitute the only alterations made by law during the whole period of their existence. At the outset certain regulations were laid down as to the way in which the work had to be carried on. It is not the duty of the Exchange to verify the details given by either the employer or the applicant; it exists simply to pass on any information given it from one to the other. Nor has the Exchange the right to discriminate between applicants except with regard to their industrial capacity. The Exchange must choose from all those who have presented themselves the individuals who are most likely to fill the employer's requirements, irrespective of any other factor such as, for example, the duration of their unemployment, or the extent of their domestic obligations.

It was never contemplated that the Exchanges should have a monopoly of all industrial placing. The trade unions with their specialised knowledge of both workmen and employers have a natural advantage in their own spheres. Many employers prefer to notify vacancies through newspaper advertisements so as to get a chance of attracting men already employed who wished to change their jobs, and in many occupations it has always been customary to rely upon those already employed to spread knowledge of jobs to their relatives and friends. The Exchanges did not propose to drive out, even if they could, such well-established and useful aids to employment. The Exchanges were intended primarily for those for whom no other means of collecting information existed, and to enable the others to acquire knowledge over a wider field than was permitted by a sectional agency. But even for these, their success in

their early years was far from spectacular. Employers were sluggish in making use of the facilities offered; the officials had had no opportunity to acquire the technique of their new task and had to learn by trial and error; and premises, through a false sense of economy; were generally unsuitable. Moreover, the Exchanges were continually charged with new duties. Only two years after their establishment, the first Unemployment Insurance Scheme came into existence, involving the new organisation in the immense amount of clerical and administrative work connected with the compulsory insurance of two and a quarter million workers. In less than another two years the outbreak of war thrust further tasks on to them.

The Exchanges were an essential part of the machinery required for the utilisation of the national resources for the purposes of the war; had they not existed it would have been necessary to improvise some less adequate machinery for the purpose.[1]

They had the difficult task of selecting skilled men for release from the Forces for industrial work of national importance; they enrolled and transferred thousands of workpeople under special labour enrolment schemes; they recruited more than a million women for war work and often arranged for their accommodation near to their work. Similarly, when demobilisation came the Exchanges were charged with arranging for the reabsorption of men into civilian employment and administering the out-of-work donations, or the free unemployment allowances paid to ex-members of the Forces and certain civilian workers pending their re-engagement in industry. Almost immediately following this task, the extension of unemployment insurance brought a total of nearly twelve million workers into the system for the Exchanges to cope with, and at the same time there began the serious depression in industry which has made their work as "placing" agencies so supremely difficult. When all this is taken into account, the work that the Exchanges has accomplished shows a very fair measure of success. Despite the difficulties of the industrial

[1] Report of the Enquiry into the Work of the Employment Exchanges, Cmd. 1054, 1920.

situation the number of vacancies they have filled has much increased :

Year.	Total Vacancies Filled.	Year.	Total Vacancies Filled.
1911	608,475	1921	807,328
1912	809,553	1922	697,636
1913	895,273	1923	893,713
1914	1,086,738	1924	1,143,742
1915	1,279,918	1925	1,279,292
1916	1,534,928	1926	1,082,917
1917	1,536,383	1927	1,252,707
1918	1,495,774	1928	1,327,218
1919	1,258,965	1929	1,554,433
1920	920,979	1930	1,727,484[1]

The drop in the figures in the years 1920–3 is of course due to the sudden profound depression in industry during those years ; and considering that (even with the subsequent comparative recovery) chronic depression has characterised the basic industries, the increase of placings in the following years is quite creditable. But little can really be concluded from these figures without a comparison with the total number of placings occurring at the same time. Such a comparison cannot be made with complete accuracy, for there is no necessity for any person who gets into employment by his own efforts to record the fact at the Exchange. But as all those who are insured must take their books from the Exchange when they re-enter industry, an estimate of those getting jobs in insured occupations can be made. This shows that the Exchanges do nearly half the job-finding [2] in the country for boys and girls over 16, 33 per cent for women and 20 per cent for men with an average of 22 per cent for all. This average, however, conceals wide variations from one locality to another. In certain areas, 60 per cent, 70 per cent, and 80 per cent of the placings are done through the Exchanges ; in others 12 per cent, 13 per cent or 14 per cent. As employers are under no compulsion at all to use the Exchanges it is reasonable to draw the inference that in the areas in which the Exchanges do

[1] Royal Commission on Unemployment Insurance, Evidence of Mr. Wilfrid Eady, Appendix A.

[2] Report of the Royal Commission on Unemployment Insurance, Evidence of Mr. Eady, Q. 3822.

virtually all the placings, the development of their work is due to their power to give the employers the facilities they want. Many employers have even gone so far as to agree to engage all their labour through the Exchanges and to display notices to this effect on their factory gates. By the end of 1929 some 1,800 employers, including a number of large industrial concerns, had made this arrangement with the Exchanges.[1]

The suggestion has often been made that the certification of vacancies by employers should now be made compulsory. It is urged that very often employers refrain from making use of the facilities put at their disposal because they do not fully realise their advantages. In some instances this is due to lethargy and conservatism, sometimes to a traditional distrust of any Government institution, and often to an unfortunate experience in the early years of the Exchanges before they had developed their placing technique as fully as they have now. Whatever the reason, the fact that they do not use the Exchanges as much as they might restricts their choice of labour and prevents that quick linking-together of the supply of and demand for each particular type of labour on which both industrial efficiency and social well-being depend. The Trades Union Congress General Council have urged that employers should be compelled to register all vacancies at the Exchanges unless they have a definite arrangement to hire their labour through a trade union ; and such authorities as Mrs. Sidney Webb and Sir William Beveridge have recommended this as a desired aim to be gradually attained.[2]

The committee appointed to investigate the working of the Exchanges in 1920 considered this matter and reported, however, in favour of retaining the voluntary character of the system ; and the Royal Commission on Unemployment Insurance, 1932, confirmed this decision. They argued that the prime necessity for the Exchanges is a steady progress in technique. This takes time, and is more likely to be suc-

[1] Report of the Royal Commission on Unemployment Insurance, Evidence of Mr. Eady, Memorandum, p. 12.
[2] *Ibid.*, p. 300.

cessful if they are subject to the competition of alternative methods of engagement. " Judicious advertisement or propaganda designed to give prominence to the services offered to industry " [1] the development of specialised exchanges catering for particular industries, improved premises and higher grade staffing seemed more suitable steps to take. To this general recommendation they made one exception, in which they followed the example of the Majority Report of the Royal Commission on the Poor Laws which had considered this problem nearly a quarter of a century earlier. This exception was that Government Departments and Local Authorities be compelled to recruit through the Exchanges the whole of their requirements for manual workers and for the low grades of clerical, technical and administrative staff.

IV

The Royal Commission on the Poor Laws in 1909 called attention to the " new problem " presented by the existence of a large body of chronically under-employed persons ; and it was confidently hoped that a national system of Labour Exchanges would do much to reorganise the methods of engaging labour in the industries to which these persons were attached. How far has this hope been realised ? When Lord Shaw's Court of Enquiry into the Wages and Conditions of Employment of Dock Workers reported in 1920 it was still necessary to insist that " dock labour is still in very large proportion uncertain labour," [2] to refer to casual employment as a " trouble of large dimensions and of wide social ramifications and to urge that ' the system of casualisation' must, if possible, be torn up by the roots." In 1931 the Port Labour Enquiry [3] still found itself confronted by the necessity for decasualisation as the most important problem connected with the improvement of dock conditions. And in 1932 the Royal Commission on Unemployment Insurance included in its recommendations " that the Minister of Labour should give further con-

[1] *Ibid.*, p. 304. [2] *Ibid.*, p. 8.
[3] Ministry of Labour Port Labour Enquiry, Report, 1931.

sideration to the problems involved in the decasualisation and regularisation of employment." [1]

It is significant that the districts which have a low percentage of exchange placings are very largely dock areas [2]—Canning Town, Stepney, Gravesend, in the London area, Bristol, Southampton, Cardiff, Clydebank, etc.: a circumstance which shows that it is still the custom for the large body of unskilled labourers in this occupation to rely upon direct application at the work-gates, rather than upon the Exchanges.

It is evident from these facts that the desired aim has not been achieved; but this does not mean that nothing at all has been accomplished. Many experiments have been tried, for which a certain amount of success can be recorded. For the most part the principal objective of the measures taken has been the regulation of the supply of labour in the aggregate over a whole district. The possibility of getting odd jobs has in the past proved an irresistible attraction to unemployed workers from other trades, with the result that the inflow of labour into the docks was far in excess of the requirements of the employers. The first step towards decasualisation necessitated, therefore, a cessation of new recruitments; and an attempt has been made to achieve this in a majority of ports by means of registration.

The first port to introduce such a system was Liverpool, which initiated its plan in 1912. At that time there were [3] 27,000 men seeking work at the docks, although the maximum employed on the busiest days never exceeded 20,000. All dock labourers were registered and given a tally; and employers agreed to employ none but tally-holders in the future. Men reported for work at their usual places; but if unable to get work there they were directed to apply at a number of surplus stands connected by telephone with the "calling-on" places. Foremen who were unable to fill their requirements at their own places were asked to

[1] Cmd. 4185/1932, p. 308.
[2] Cf. Lascelles and Bullock, *Dock Labour and Decasualisation*, p. 84
[3] *Ibid*, p. 84.

telephone to the surplus stands, whence the men who had reported as free were despatched to them. To obviate the necessity for the worker spending a great part of Saturday tramping from place to place to collect wages due from a number of employers, the Board of Trade agreed to set up a clearing-house to which all employers sent the wages due and from which the worker could collect his total earnings.

It is obvious that the success of this scheme in providing more regular employment for a smaller number of men depends on the ability of the authority in charge of the register to see that the number given tallies is not in excess of the demand for labour in the port. At the commencement the number was necessarily much too big, as the figures indicate. But it was hoped that gradually the total would be reduced, partly by death, and partly by migration to other districts or to other occupations. This hope has not been realised. The number inevitably rose during the War; and since then, whilst the supply of labour has remained fairly steady, the demand has been much reduced both on account of the serious drop in trade at Liverpool, and on account of the introduction of mechanical labour-saving devices. The result is that, although the number of tally-holders in 1932 was about 3,500 less than in 1913, only 58 per cent [1] of them actually got a job and received wages. The system of surplus stands did not prove successful and was early abandoned. The failure was due largely to the men, who were so accustomed to the time-honoured tradition of waiting to hear of jobs at the nearest public-house, or who were so afraid that they might lose their chance of a job at their usual stand if they went away, that they could not be persuaded to report at the surplus stands. With such a surplus of labour in the port and no means of unifying the reserve, the process of decasualisation has naturally not gone very far, and "the fundamental issues of the problem of casual labour at the docks remain much what they were twenty years ago." [2] That this is still as serious in its social effects can be seen from the

[1] *Survey of Merseyside*, Vol. II, p. 127. [2] *Ibid*, p. 120.

estimate made by the *Survey of Merseyside*, that whereas the percentage of all working-class families of the Merseyside area falling below a given poverty line was 14, the corresponding figure for the families of dock labourers was 24.

A very large number of ports, including London, have since the War inaugurated similar systems of registration, in all covering about two-thirds of all dock workers. Yet the same problem remains unsolved by all these systems—how to ensure that the supply of labour on the register is cut down to the number likely to get employment, whilst at the same time ensuring a sufficiency for the varying requirements of the port. The complexity of this problem is evident when it is realised that a closed register in which the total is gradually reduced by natural wastage results in a body of workers in which the older age groups are unduly dominant; and that therefore new recruitment is essential in order to ensure an adequate supply of younger and more vigorous men.

In the vast majority of ports the difficulty of the situation has led to a policy of inaction. The recent demand for labour has been lower than could normally be expected when trade revives and the tendency has been to keep on the books a very much larger number than could possibly be employed in the present circumstances as a reserve force for the future. The realisation that there were no big areas of expanding employment ready to absorb surplus labour tended to strengthen this tendency, and little or no purging of the registers has occurred.[1] One of the few exceptions to this general rule is found in London.

When the scheme was instituted in London in 1920[2] the register of men who could claim to be dock workers contained about 61,000 names. But the careful examination of employment records, and the exclusion of all men who could not show a small minimum amount of employment over a period, gradually reduced the number to

[1] Memorandum of Evidence of National Council of Port Labour Employers to Port Labour Enquiry.

[2] Port Labour Enquiry, p. 30.

37,000 by 1930. Yet, despite this reduction, labour at the London Docks remains almost as casual as before. For although the supply has been cut down the demand has fallen even more drastically as a result of the prolonged depression in trade; and this is the general experience in all ports. Even if the problem of registration could be solved, and the supply of workers adjusted to the demand, only the first step towards decasualisation would have been taken .It would still be necessary to make the port a single labour market so as to ensure that an excess of labour at one stand had the first opportunity of being taken on elsewhere where a shortage was felt. In such a port as Southampton where one firm, the Southern Railway, owns the docks, runs some ships and employs half the registered dockers, the promotion of mobility is much simplified, and it is possible to record that " an immense forward stride has been made " in comparison with the earlier chaos. But this is a rare exception. Over the greater part of the field the position is little better than it was when the Royal Commission on the Poor Laws made its recommendations. Registration of dock workers on the one hand, and maintainence of the unemployed in other industries on the other, have prevented the stampede of men into the docks that would probably otherwise have occurred during the depression. But apart from the fact that the dock industry contains a smaller number of men than would otherwise have tried to get jobs in it, the irregularity of work and insecurity in standard of living are as they were.

> After twenty years, [says Sir William Beveridge], it seems fair to say that the appeal to reason and public spirit in the industry has failed. The way is open to the compulsion which the Majority of the Commission were prepared to apply when needed and which the Minority advocated from the start.[1]

The suggestion put forward by the workers in the industry, represented by the Transport and General Workers Union, was for a complete reorganisation of port labour. They argued before the Port Labour Enquiry that voluntary registration schemes had not only proved themselves

[1] Beveridge, *Unemployment*, 1930 edition, p. 321.

inadequate, but that no similar scheme, however well operated, could, by itself, provide the necessary steady income to the worker on which alone a decent standard of living could be based. For in such a country as England with immense overseas trade, a reservoir of labour is needed, *standing by*, to handle the maritime commerce at any moment. Certain varying proportions of the workers must, therefore, expect to gain a full week's employment only at the busiest seasons; but as it is important for the community to have them always ready waiting to undertake a job without delay, it is the duty of the community to provide them with an income sufficient to maintain physical efficiency, whether they are actually called upon to work or not. They proposed, then, that every registered dock worker should be entitled to a minimum maintenance of 50*s*. a week, i.e. that if in any week the amount of employment he received resulted in a total income for the week of less than 50*s*., the difference should be made good by a payment from a fund provided by contributions from dock employers, workers, the State and a levy based on the value of goods entering and leaving the ports. This maintenance would be paid only on condition that the worker presented himself for work every day at the "calling-on" places to which he was directed and would, of course, take the place of unemployment insurance benefit. In addition a pension would be paid to all dock workers, who would be compulsorily superannuated at the age of 65, in order to make room for new, younger recruits.

With this suggestion the employers representatives were unable to agree on the score that it would impose such a large additional burden on trade as to lead eventually to increased unemployment.

A less drastic suggestion [1] was made before the Royal Commission on Unemployment Insurance, embodying the proposals that had been made for the solution of the same problem twenty-five years earlier by the Minority Report of the Royal Commission on the Poor Laws. This was that

[1] Royal Commission on Unemployment Insurance. Evidence of Sir William Beveridge, pars. 13 and 14.

the Minister of Labour might be empowered to schedule certain industries which had "excessive unemployment" and that scheduling should entail that engagement of all labour had to take place through, or under the supervision of the employment exchanges, so that recruiting of fresh labour could be controlled. Where it appeared that the excessive unemployment was due to casual methods of engaging labour the industry should be taken completely out of the insurance scheme and special arrangements made for the maintenance of its unemployed, on the score that it was drawing an undue share of the general insurance fund. The extra money required by the industry if it was forced to maintain its own large population of unemployed men might be raised by a special tax on dismissals, which would lie lightly on the employer who gave more regular employment and penalise only the employer who refused to decasualise his labour supply.

The Commission, however, did no more than recommend that the Minister of Labour be given power to compel a registration scheme to be operated through the employment exchanges, and to supervise the recruitment of new entrants into the industry.

CHAPTER VI

LOSS OF INCOME

II. UNEMPLOYMENT (*continued*)

I

IF we examine the communal psychology of any considerable period of time [says Mr. Leonard Woolf], we find in the mind of nearly everyone then living a background or network of what may be called fundamental ideas. These ideas may often not be consciously stated; they are often so wide or vague as to be in the nature of an intellectual attitude rather than of definite beliefs; but they are assumed as postulates by writers and thinkers, and in religious, political or social controversies they are explicitly stated as conclusive reasons for acting in one way rather than another.[1]

Familiarity is the strongest factor in accounting for these beliefs. Once a particular code has come from the stage of discussion into that of legal enactment or custom, everyone accepts it as if it were one of the laws of the Medes and Persians or one of the first principles of human behaviour. To refer a dispute between two persons to the arbitrament of a court of justice seems nowadays the natural course to pursue; nobody would dream of attempting to settle it by personal combat. Equally it is to-day assumed that childhood is a period of education and development, although it is but a hundred years since the discipline of industry was thought a natural experience for the children at least of the working population. In the twentieth century the view is unanimously held that capital punishment for sheep-stealing is an incredible barbarism, whereas little more than a century ago right-thinking men and women believed that death or transportation were the only means of protecting the sanctity of property. We do not reason about these judgments; we take them for granted. They

[1] L. Woolf, *After the Deluge*, p. 222.

are part of the social environment. Similarly throughout nearly the whole of the nineteenth century it was accepted that for those who were unable, from whatever cause, to provide for their own necessities, a meagre assistance from Poor Relief was the only alternative. But in the short period of less than a quarter of a century a national system of compulsory insurance against unemployment has grown from a daring and revolutionary experimental idea into so integral a part of the social framework that public opinion will no longer tolerate the suggestion that the bona fide unemployed person should be relegated to Public Assistance. When M. André Siegfried, from his vantage-point across the Channel, turned the calm appraising eye of the detached observer on to England's troubles, the result was a book [1] which could not possibly have been written by a responsible Englishman. The assumptions are so completely different. The dispassionate criticism of the expenditure on the unemployed and of the rapid " socialisation of the life of the people " ; the conclusion that to a certain extent England is preyed upon by democracy and that the " social régime must be completely transformed " if England's industrial, commercial and spiritual structures are to be adjusted to twentieth century conditions " ; all are evidence of a temper of mind which would have been perfectly at home in England a quarter of a century ago but which seems quite alien in the England of the present day.

There are passionate differences of opinion as to the best methods of ensuring a subsistence for those unable to find a sale for their labour. There is much dispute as to the proportion of the blame for unemployment to be ascribed to impersonal factors and the part played by individual deficiencies. There are heated controversies as to the practicability and justice of dividing the unemployed into different sections with different treatment. But there could now be found no body of persons who are prepared to leave the unemployed to depend on their own savings, the Poor Law and charity in conformity with the accepted principle of last century. That there should be some pub-

[1] *England's Crisis.*

licly organised system whereby those whose unemployment is beyond their control should be enabled to maintain at least a minimum standard of living without loss of dignity and self-respect has come to be one of the " fundamental ideas " which forms the background of social controversy. Sir Ernest Benn, as the last surviving Individualist, stands out in striking contrast to the prevailing assumptions when he argues that insurance should never have been commenced [1] and ought to be abolished. In the enquiries into the system which were reported in 1927 [2] and in 1932 [3] there have been found no witnesses prepared to recommend that the unemployed should again be relegated to the Poor Law.

Yet what has been rightly called " this obsession of the public mind with insurance " did not spring from the spontaneous demand of those who were to benefit from such a system. There was no popular agitation for an insurance system. In so far as there was any definite demand put forward by the articulate masses, it was for maintenance. " Work or maintenance " was a good fighting slogan and as there was little likelihood of its immediate embodiment in legislation there was no need to clothe the conception in the flesh and blood of concrete practical detail.

The system of compulsory insurance, which has come to be so intimate a part of our social organisation, owes its origin and form to the administrative skill and inventive genius of certain Government officials, and its acceptance by the public partly to a confusion of thought and partly to the persuasive powers of such men as Mr. Winston Churchill and Mr. Lloyd George.

Of all the virtues that the Victorians were taught to

[1] " Unemployment and the Report," Sir E. Benn, *Nineteenth Century*, July 1931.

[2] Cf. " We have found in all quarters a general agreement that the risk of unemployment should be insured. Nobody has suggested to us that the principle of unemployment insurance should be abandoned. It has been recognised by all who appear before us, and we ourselves share the view, that an unemployment insurance scheme must now be regarded as a permanent feature of our code of social legislation."—Blanesburgh Report, p. 28.

[3] Report of Royal Commission on Unemployment Insurance, Cmd. 4185/1932.

admire there was none that took a higher place than that of thrift. It betokened admirable qualities of self-sacrifice, of foresight and of practical management. And the institution which, above all, stood for the inculcation and fostering of this virtue amongst the working classes was the Friendly Society. To be a contributor to a Friendly Society or to the insurance side of a trade union was to show oneself as independent and self-reliant, acknowledging one's social obligations and prepared to make the requisite sacrifices to fulfil them.

No institution appertaining to our class of society [said Mr. and Mrs. Webb], has ever produced such a feeling of legitimate self-righteousness amongst those who have originated it and benefited by it, and such a glow of satisfaction on the part of other social classes, as the Friendly Society movement, and the "friendly benefit" side of Trade Unionism. The very word "Insurance" has, in consequence, come, in England, to be as it were, encircled with a halo of consecration! [1]

Now compulsory insurance "cashed in," so to speak, on the virtues ascribed to the Friendly Societies. But between voluntary and compulsory insurance a great gulf is set. In the former, a man exercises his own individual judgment as to the likelihood of certain eventualities occurring and decides to make a payment based on this calculation. There is no question of justice involved. He determines to purchase so much "future security" in the same way as he decides whether it is worth his while to have his boots mended and save a possible doctor's bill. The exercise of such judgment is a valuable element in the educative process of the individual. But to *compel* men to contribute regularly in order to provide against a future contingency has none of this moral significance. It is a tax, and involves none of the judgment and consequent effect on character of the free choice. Moreover, it may involve injustice as between man and man. For risks vary; and one individual may be compelled to pay a premium which is out of proportion to the contingency insured against. There is little doubt that a great deal

[1] Article in the *Crusade*, 1911.

of the support for the insurance principle rests on a confusion in the public mind between the moral value of voluntary and compulsory contributions. And indeed this vagueness of idea is typical of the general haziness of the essential characteristics that appertain to an insurance system, of the difference between an insurance benefit and a dole, of how far actuarial calculations are of positive value in a compulsory scheme subsidised out of public funds and so on.

The system of voluntary Trade Groups insurance to be encouraged by public grants had secured the approval of both sections of the Royal Commission on the Poor Laws. But the weak places in the system were too glaring to be ignored. It left completely out of account the unorganised worker, and this was exactly the person who had least capacity to resist a period of enforced idleness. It ignored the responsibility of the employer for irregularity of production and offered him no incentive to introduce a larger element of stability into his work.

A bolder and more comprehensive suggestion originated with Sir Herbert Llewellyn Smith, who gave an outline of his plan in an address to the British Association at its Sheffield meeting in 1910. He argued that the risks run by a working man differ widely from one another in their nature. The risk of dismissal on account of bad work, irregular attendance, drunkenness or other such personal cause, is one which must be left in all its force as an individual responsibility unless the community wishes to impair the national character. But such incalculable risks as those involved in a long trade depression, or similar circumstances, are beyond both the individual's foresight and his control and it does only harm to leave the workman to cope with them alone. The insecurity in standards of living that these involve is so big and so far beyond accurate calculation that, instead of stimulating self-help, it acts as a discouragement to the worker and prevents him from making any effort to deal with it. But a risk which is overwhelming and incapable of estimation from the point of view of the individual worker has not these qualities if considered

from the collective standpoint. Experience shows that, within a given period of time, the percentage of those unemployed is likely to fluctuate within certain limits, though no individual knows for certain whether he will be included amongst the unfortunate workers who make up the percentage. That amount of instability, then, which has its origin in periodic fluctuations, and local and industrial changes, is insurable. The risk of unemployment which arises from personal qualities and personal defects is not.

But not every worker is subject to these impersonal factors to the same degree; and a true insurance system should therefore make possible some discrimination between risks. A sound insurance system should both allow of such discrimination, and at the same time leave the individual responsible for the consequences of his personal qualities. Sir Herbert Llewellyn Smith laid down certain characteristics as essential for these purposes:

1. The system must be compulsory so as to avoid the predominance of bad risks.
2. Contributions should be demanded from the members, because only by a vigorous insistence on a minimum number of contributions could the "bad risk" be automatically excluded.
3. For the same reason the benefits received must bear some relation to the contributions paid. These two conditions were intended to exclude the loafer.
4. Benefits must not be high enough to encourage men to remain out of work.
5. The interest of all concerned must be enlisted to reduce the volume of unemployment.
6. Employers and workmen must be encouraged to prefer regular employment to casual.
7. The State must subsidise the insurance fund so as to give the necessary stability and so as to justify a large measure of control.
8. Voluntary provision must not be discouraged.

Since certain trades have more unemployment of the insurable type than others, Sir Herbert Llewellyn

Smith suggested that a partial scheme based on these trades would make a useful experiment provided the number included was sufficiently large to make the scheme workable.

It was this scheme which captured the imagination of Mr. Churchill and Mr. Lloyd George and which was foreshadowed in the speech of the former when he outlined the Government's proposals with regard to the organisation of the labour market. It was this scheme, too, which with a remarkable lack of publicity, considering its subsequent history, was established as Part II of the National Insurance Act, 1911. It was very much overshadowed by Part I—the Health Insurance Scheme—which caused heated controversies and embittered argument, and it slipped on to the Statue Book with hardly any discussion at all.

There were many knotty problems to be solved in formulating this plan. An insurance system implies that the funds raised by premiums are sufficient over a period of time to allow for the risk of benefits agreed upon, and for the cost of administration. No calculation of the amount of premium necessary can be made without comprehensive statistics with regard to the probable incidence of the contingency insured against. Such statistics were, however, not available. In fact, one of the principal reasons put forward by the Poor Law Commissioners in favour of the establishment of Labour Exchanges was that it would enable the Government to make an estimate of the number of persons unemployed. But the Exchanges had not, of course, been sufficiently long at work to have made a beginning with this enumeration. The trade unions, it is true, had figures relating to their own members, and based their benefit schemes on them. But the trade union insurance was never actuarially sound. There was no legal compulsion on a union to pay a definite sum to its insured members. It was a private contract; and if the union's funds were exhausted by other activities, or if claims were too numerous, it was a simple matter (and quite within its powers) to reduce the weekly benefit or the number of weeks for which it could be claimed.

Membership of a trade union was based on occupation, and it was likely that the risk of being out of work involved in the occupation was more or less the same for all. The differences in the amount of unemployment experienced by members might be due to varying grades of efficiency or of enthusiasm in searching out a new job. But the pressure brought to bear by fellow members or by trade union officials anxious to safeguard their funds ensured that no one man drew too heavily on the common purse. In an extensive compulsory scheme, however, there would necessarily be included men with widely diverging risks of unemployment, either on account of the nature of their occupation or of differences in personal quality; and some method had to be devised to prevent the injustice involved in compelling equal payments for unequal benefits, as well as to dissuade the less-enthusiastic worker from becoming a burden on his steadier fellows.

The scheme which was introduced in 1911 owes its characteristic features to its attempt to solve these problems. "The contribution from the State was justified partly as an expression of the interest of the State in reducing distress through unemployment, partly as a means of equalising risks and contributions." [1] The function of the State subsidy was to relieve the "good lives" of the burden of maintaining the "bad lives" and make the superior workman feel that it was worth his while to pool his luck with his less regularly employed comrades. But the most important features of the scheme were those which defined the benefit which an insured contributor might draw. Benefit was limited in two ways: fifteen weeks in one year was the maximum that could be claimed; and benefit could be drawn only in the ratio of one week's benefit for every five contributions that had been paid.

Limitation of the maximum period was not primarily due to financial considerations; it was rather an attempt to delimit the type of unemployment that could be considered an insurable risk. Benefit was regarded definitely as a

[1] Royal Commission on Unemployment Insurance. Minutes of evidence, p. 721. Sir William Beveridge.

tide-over, as a means of keeping a man during temporary cessation of earning power on conditions that involved him in no loss of self-respect. It was not designed to provide for the malingerer or loafer, nor to maintain the man whose unemployment was chronic as a result of a big industrial change.

The ratio of benefit to contributions also had this end in view, but it had other advantages in addition. It provided an automatic test of eligibility to be included in the scheme, and painlessly excluded those who were only intermittently employed in insured industries. It gave workers an incentive not to claim benefit unnecessarily and so encouraged them to accumulate claims against a greater emergency. And to a certain extent it reduced the injustice of collecting a flat rate of premium from men whose incidence of unemployment might be very different. For even the regular worker is likely to be more subject to unemployment as he grows elderly; and the man who had made less than the average claims in his early years would have built up a solid basis for more protracted unemployment benefit later on.

That the benefit provided under the scheme—*7s.* a week—was totally inadequate to maintain subsistence was fully recognised. But the benefit was never intended as a maintenance allowance. It was designed as a "first line of defence," as an extension of the admirable pioneer work done in this field by the trade unions. The benefits provided by the unions rarely exceeded this amount—yet that in fact they did make a sufficient addition to whatever other resources the worker could muster to tide him over temporary difficulties was evidenced by the rarity of finding amongst applicants to Distress Committees men who were insured members of trade unions.

The scheme which began its operations on the passing of the 1911 Act was confined to a particular group of industries—building, construction of works, ship-building, and engineering—which comprised about two and a quarter million workpeople. These industries were chosen as being peculiarly suitable for an experiment of this sort, since

they are extremely susceptible to cyclical fluctuations in activity, and therefore give rise to just that kind of unemployment which it was thought should be met by a system of insurance. They were trades which were not overstocked with labour, trades that were unlikely to decay; so that men who were thrown out of work during a slack time had very good prospects of being reabsorbed into them when trade revived.

The belief expressed at the time, that the operation of the rules would allow the greater part of unemployment to be covered, was justified by the experience of the first year's working of the scheme. It was found that unemployment which continued after the exhaustion of benefit represented only 1 per cent of the total unemployment in the insured trades.[1] The new scheme started its career, however, during a period of brisk trade, and it is impossible to tell whether the arrangements would have proved adequate during the years of a depression. For before there had been an opportunity to test it, the War intervened and completely transformed the situation.

In the mood of cynical disillusionment induced by the last decade it is sometimes difficult to realise the very different temper of the War years. Despite many bitter conflicts between sections of society there was at that period a rare sense of national unity which lifted discussion of industrial and social reforms on to an unusual plane. In the most genuine sense there was a real determination that a new world must rise from the ashes of the old. But the great upheaval of the War not only awakened this sense of community; it opened the eyes of many who before had lived in comfortable ignorance of the defects of industrial society. Thousands of people who before had been confined within the narrow boundaries of their own social groups, were brought into intimate contact with other classes in a manner that developed their mutual sympathy and understanding. The belief was strong that this bond of sympathy which had grown out of common

[1] Royal Commission on Unemployment Insurance, p. 25.

danger should be fostered to make the basis of a better society.

The quickening of this sense of community is evidenced in the interest taken during the War in the proposals for better industrial relations, and the demand for a higher status for the worker in the organisation of industry. There was much discussion of the need for the establishment of such institutions as would proclaim the partnership of the wage-earner in industrial enterprise. The complete failure of such institutions as the Whitley Councils, for example, to sweeten industrial relationships, need not blind us to the fact that the proposal was born in an atmosphere of generous enthusiasm for a better world.

The economic situation fostered the development of this awakening sense of the importance and dignity of the worker. The necessity for speeding up production both of war materials and of the essential goods required by the civilian population resulted in an acute shortage of labour. The unskilled labourer found himself possessed of a more assured income than he had ever before enjoyed. The skilled worker was at a premium. And in the sharp realisation by the community of its ultimate dependence on its labour-power there was a greater readiness to appreciate what the wage-earner really wanted. For the industrial unrest of the pre-War years was evidence not simply of discontent with prevailing wage-rates, it was dissatisfaction with all the conditions of life as a worker. It expressed itself often enough in a demand for higher wages or shorter hours of work, but this demand was only a means to an end. What the worker wanted above all else was a decent standard of living with security. There are those who profess to see something ignoble in a community which puts "Safety First" as its motto, and who date the commencement of England's decline from its acceptance as a national policy. Yet it is significant that those who uphold insecurity of income as the chief stimulus to initiative, resolution and adaptability, rarely carry their principles to the extreme of refusing to accumulate any property so that their children's future shall be bracingly insecure. The growing social con-

cern for stability does not in fact bear witness to the devitalisation of the " bulldog breed " but to the realisation that the world-wide integration of commerce and industry leads to risks so big and incalculable as to crush the individual rather than nerve him to greater efforts.

The investigations of the pre-War years had shown that the outstanding menace to the economic security of the wage-earner was unemployment. Insurance had gained acceptance as the best method of reducing this insecurity and of introducing a greater element of stability into the standard of living. The impatience for a better world engendered by the War led to the rapid extension of a system which had been designed for one particular set of industries to a very much larger field, with practically no consideration as to whether the situation was similar, or as to whether checks designed for one purpose were adequate for another.

There was general agreement that those industries which were related to munition work were likely to decline sharply on the cessation of hostilities, and that (at any rate for a time) the workers who had been drawn into them would be peculiarly subject to unemployment. By an Act passed in 1916 they were therefore temporarily included in the insurance scheme. But as the War drew to a close there began to be a gradual appreciation of the fact that a wider provision of some sort would be necessary. The community was far from any real anticipation of what was actually to happen. The belief was confidently expressed that the depletion of all stocks of civilian goods would ensure expanding production for years to come. It was forgotten that, for profitable production, an effective demand is also necessary, and that a world which has spent four and a half years in wholesale destruction is likely to find itself poorer at the end of it. But without anticipating what was to happen, it was understood that the dislocation of trading relationships, and the rapid change-over from war production to peace, would be likely to result in at least temporary obstacles to the regular earning-power of the wage-earners. In particular the demobilisation of the forces

would throw into the labour market a large body of workers whose absorption into ordinary employment, however well organised, would undoubtedly take some little time.

A policy to deal with this problem had already been announced early in the War and was put into operation immediately it was over. It consisted of the grant of a "free" policy of unemployment insurance, with some modifications, to all ex-service men and women, and to all civilians who were covered by the Health Insurance Scheme, that is—to practically the whole employed population. The policy entitled all holders to claim "out-of-work donation" for a certain period of time on condition that suitable employment was unobtainable. The scheme was subsequently extended because the reabsorption did not take place as rapidly as was expected, and the last individual payment of donation was not made until the end of 1922.[1]

The scheme was never intended to be more than an emergency measure dealing with an unprecedented shift of population. Its importance lies in the fact that it accustomed people to look to the State as a standby when the usual method of getting a living failed. Though it was quite distinct from unemployment insurance—a distinction that it was hoped to emphasise by its name—to the vast majority of people there was no line of demarcation between them. "Dole" was used indiscriminately to apply to either. The result was that from the beginning there was not that understanding of the nature and possibilities of an insurance scheme on which the originators of insurance had insisted. A community which had come to regard the State as a supreme paymaster—of separation allowances, of pensions, of out-of-work dole—had little patience with the niceties that distinguished a system of insurance from one of maintenance. And it was the inability to make this distinction that was later to lead the insurance system into chaos.

The "out-of-work donation" was intended to deal with the immediate post-War difficulties. It was still necessary

[1] Ministry of Labour, Report on National Unemployment Insurance, to July 1923.

to make some provision for the security of the standard of living of workers when industry had recomposed itself on a peace basis. The National Industrial Conference summoned in February 1919 by the Prime Minister (Mr. Lloyd George) set up a committee to consider the problem of insurance against unemployment and reported unanimously "that the normal provision for maintenance during unemployment should be more adequate and of wider application than is provided by the National Insurance (Unemployment) Acts." A Bill was accordingly introduced into the House, and became law in 1920.

The Unemployment Insurance Act 1920

was launched at the top of the wave of post-War enthusiasm for improved social services. It extended to the greater part of the field of industrial employment what were in the main the same principles of unemployment insurance as had been laid down for the smaller experiment in 1911.[1]

But the group of industries that had been chosen for the smaller experiment had been selected because they had certain definite characteristics. They were trades with some degree of regular periodicity in the extent of their unemployment, and no one trade showed a greater fluctuation than the others. They were industries in which "short time" was unusual, that is to say, when work was slack a minority were completely unemployed and the remainder fully employed. (In the cotton and coal trades on the contrary, it was customary for the unemployment to be spread thinly over the whole personnel, each man doing less work and receiving less wages.) And they were industries in which the under-employment that arises from casual methods of engaging labour was not pronounced. But the industries included in the extended scheme which covered a total of 11¾ million workers were not of this homogeneous nature. There was every degree of risk of unemployment, from the trades in which employment fell just short of permanency to trades in which half a day's work was the maximum guarantee the worker enjoyed. It

[1] Royal Commission on Unemployment Insurance Report, p. 15.

included industries such as cotton and coal, where organised " short time " had long been a recognised feature of periods of slack trade; and dock work with its immense surplus of under-employed labourers. Strong representations were made that these latter occupations were not well suited to the general scheme and should be provided for in some other way but without success.

At the time when the 1920 Act was being drafted [said Sir William Beveridge], I urged in every way known to me that dock labour should be kept out of the general scheme, and have a special scheme made for it which would have given the workman all the benefit of insurance, but not at the expense of permanently subsidising casual employment by the other industries of the country. . . . As regards cotton and coal, I had not myself gone so far with that problem, but I certainly expected—they are not trades which had been much developed before by the trade unions—that they would want to come out and have their own systems. It may be of interest to know that when the 1920 Act was being drafted and introduced, the Government Actuary reported upon it on the assumption that something like 4,000,000 people would be cut out of the General Act and dealt with under special schemes. . . . 1920 was a troubled time and things went through in a hurry.[1]

The essential flaw in the extended scheme was that it treated unemployment as if it were all alike, whereas the history of unemployment for the preceding thirty years had persistently taught that the causes of unemployment differ widely in nature. The unemployed man who has a reasonable presumption that he will soon be able to get work again at his own trade presents an entirely different problem from the man, efficient, able and willing to work, whose trade is so altered that he is unlikely to be absorbed in a reasonable period of time. And he again differs from the man of working age who is either unfit or unwilling to work. Those in the first category need simply an income in order to maintain their health and industrial efficiency pending re-employment. Those in the second require training for a new occupation and help to enter it. The third need regeneration.

[1] Royal Commission on Unemployment Insurance. Minutes of Evidence, Q. 5846.

Had the administration of the 1920 Act been according to the strict letter of the law, its inability to cope with all types of unemployment would soon have become apparent. For the right to benefit of the people in the second and third categories would have been rapidly exhausted, and the community have been compelled to face the fact that there were many thousands for whose problems an insurance benefit did not provide a complete solution. But this was never allowed to happen. The catastrophic slump which began in the end of 1920 threw thousands out of work before the insurance system had been sufficiently long in operation for them to have built up reserves of contributions to entitle them to prolonged periods of benefit. By the end of 1921 there were two million applicants for benefit; and though the numbers fell early in the following year, the total has never since gone below the million mark. This unemployment was not spread evenly over the whole of industry; it was concentrated in certain occupations. In the middle of 1921, for example, when the average rate of unemployment was 12·5 per cent there were 18 per cent out of work amongst dockers, 29·4 per cent amongst iron and steel trade workers, 27·3 per cent in the shipbuilding industry, 20·8 per cent in construction of works, 24 per cent in ironfounding. Before the War the effect of such a landslide in industrial activity would have been a wholesale lowering of wage-rates and an enormous increase in the number assisted out of the Poor Rates. But public opinion had refused to tolerate the idea of forcing the unemployed to bear the stigma of pauperism. It was argued that the dislocation of industry was a direct consequence of the War, and that those thrown out of employment were as much entitled to honourable maintenance as any direct victim of military measures.

This view could be supported on other grounds. The maintenance of the poor is almost entirely a local charge. Since the industries which were suffering beyond the average are highly localised, the burden of maintaining their unemployed out of Poor Relief meant a rapid rise in rates in districts that were already hard hit and therefore least able

to bear the extra burden. Nor could it easily be justified on social grounds.

> The Glasgow ratepayers are no more responsible for unemployment in the ship-building industry than the inhabitants of Peckham. The population of Lancashire suffers from unemployment in the cotton industry caused by factors which have as little to do with the ratepayers of Bolton as they have with the ratepayers of Stoke-on-Trent.[1]

Such a policy of placing the cost of maintaining the unemployed on local funds not only made the " poor keep the poor " but was a serious obstacle to the recovery of these industries. The high rates increased costs of production for those already established in the district, and were an important influence in determining new firms to find a site elsewhere in areas whose local charges would be less burdensome. Everything combined to make a strong demand for considering the cost of unemployment as a national charge, borne on a fund to which the whole country contributed.

Unless a completely new system of national maintenance was to be suddenly constituted, the only way of achieving this was to allow unemployed persons to continue to draw benefit from the Unemployment Insurance Fund, even after their statutory right to do so had been exhausted.

With the exception of a short period in 1924–5 [2] extended benefit was not granted as a right. It lay within the discretion of the Minister of Labour, and was generally not allowed to single persons " residing with parents or relatives to whom having regard to all the circumstances, they could reasonably look for support during unemployment," nor to persons working short time and earning a reasonable amount, nor to married women whose husbands were in employment.

It might have been suggested that the Government in allowing these discretionary payments to be made out of a fund to which compulsory contributions were levied for a specific purpose was breaking faith with the contributors and engaging in large scale robbery. Surprisingly enough

[1] Trades Union Congress Pamphlet, 1922.
[2] Period of Office of First Labour Government.

no protest on the score of misuse of their funds has ever been made by the insured workers, a fact which is probably in part due to the well-known generosity of workers towards their fellows in distress, and is partly evidence of the small degree of understanding that exists of the exact nature of an insurance system. There were some critics who realised what was being done, but who justified it on the grounds that those workers who were receiving extended benefit were, in fact, mortgaging their future. The probability was that in the more prosperous future they would enjoy long periods of steady employment so that their present receipts might be regarded as advance benefits in respect of premiums to be made later. Similarly the concentration of the most serious unemployment in particular industries showed the glaring inequality of exacting identical premiums from workers with such widely divergent incidence of risk. But there was no guarantee that the unemployment of the future would not show a complete change of emphasis.

It must also be borne in mind [said one important group of investigators], that over a long period the solvency of the fund will prove to some extent to have been maintained now by one group of trades and now by another. If at any time therefore "extended benefits" have been paid to workers in the groups temporarily depressed, they will have come partly out of the pockets of employers and employed in another group. When that group's turn of depression comes, workers therein will be entitled to say that as a trade they have, years ago may be, paid for the "extended" as well as the standard benefits they will then be claiming.[1]

Such a view was common amongst those who saw that extended benefit required some justification. It is interesting, in particular, because it was evidence of the conception of unemployment that still prevailed in 1925. That the unemployment problem contained elements of a very different nature from the pre-War variety was still not realised. For the most part the belief held sway that when the foreign exchanges were sufficiently stabilised for the resumption of normal foreign trading relationships, when the

[1] *Unemployment Insurance: a critical examination*, 1925, J. J. Astor, A. L. Bowley, etc., p. 67.

war-time bulge in various industries had yielded to treatment, and when the difficulties due to the reparation problem were solved, there would be a revival of industrial and commercial prosperity in which the unemployed would once again find jobs. The tide-over from prosperity to prosperity might be very much longer than in pre-War days, but it was believed to be still essentially the same thing. The standard benefit had been calculated on the basis of the trade unions' pre-War experience of the duration of unemployment during a depression. The War's dislocations had lengthened the period beyond all experience, but it remained fundamentally a gap between two periods of employment.

It was not until some years later that it began to be realised that the nature of post-War unemployment differed in many respects from pre-War—a change that can be illustrated by the fact that in 1923 a body of investigators well-qualified to give an opinion agreed that there was little likelihood that " the abnormal unemployment of the last few years will become chronic or is inevitable " ;[1] whilst in 1931 the First Report of The Royal Commission on Unemployment Insurance said that

> The most serious element in the situation is the average level of unemployment of 12·2 per cent. This represents a persistent and obdurate problem, and in our view it would be unwise to treat this experience of the last ten years as transitory or to assume that it over-values the risk that has to be provided for in the next few years.[2]

The characteristic of pre-War unemployment upon which insistence had continually and rightly been laid was its temporary quality. It was this very characteristic that had justified an insurance system. There were, it is true, certain persons who were more rarely in work than out of it, but the rarity of their industrial engagements was a function of their personal defects. And the insurance scheme was devised to exclude them. The feature which has distinguished post-War unemployment is the emergence of a new class—a class of efficient, willing and able-bodied

[1] *Is Unemployment Inevitable ?* p. 85. [2] Cmd. 3872/1931.

workers who are chronically unemployed. Mr. R. C. Davison estimated in 1929 [1] that probably not less than five million contributors had drawn nothing from the fund, while the nucleus of really heavy claims was made probably by only one-quarter of all claimants.

The industries of exceptional unemployment fall into three main classes—first, those in which world-wide expansion took place during the War beyond peace-time requirements, such as ship-building and steel; second, those industries dependent on export markets which have materially declined, such as coal and cotton; and, third, those which in addition to these factors have the added inducement to a swollen unemployed figure in consequence of bad internal organisation such as building, public works contracting and docks. In this group the average percentage of unemployed during the years 1927–31 was 23·1 as compared with 13·6 in insured industry as a whole.[2] In all these occupations a large redundant labour force is found. The excess of workers belonging to these industries in July 1931 was

(*a*) over the average number in employment 1927–31, 718,000

(*b*) over the number absorbed when employment was at its best between 1927 and 1931—395,000.[3]

At the same time as these basic industries have been offering less employment, there have taken place important technical changes in other industries. Technical development, the displacement of old by new methods of production, is no new thing in British industry. But during the last fifteen years the movement has been particularly rapid at a time when depressed trade and loss of customary markets has made absorption of the superseded labour into other occupations specially difficult.

This new conception of the unemployment problem was, however, still unusual when the first comprehensive enquiry into the insurance scheme was made by the Blanesburgh

[1] R. C. Davison, *What's Wrong with Unemployment Insurance?* p. 22.
[2] Royal Commission on Unemployment Insurance Report, p. 86.
[3] *Ibid.*, p. 92.

Committee, whose report was issued in 1927. That body accepted the then prevalent view that the difficulties through which the country was passing were due to a cyclical depression differing from previous similar experiences only in its extent. All their recommendations for the future organisation of the scheme were based on the assumption of a fairly rapid revival of prosperity, accompanied by the reabsorption of workers into either their own, or new, expanding industries. The insolvency of the fund was, in their opinion, due solely to the increase in claims resulting from the dislocation to other industries, caused by the prolonged coal strike of the previous year, and a temporary increase in contributions to pay off this temporary deficit was all that was required.

> While we are satisfied that that scheme (i.e. the new scheme) with its rates of contribution cannot properly come into operation until with a real prospect of continuance . . . the existing scheme is again more than paying its way, we are not without hopes [they reported], of that point being reached within a period that may be measured by months rather than by years.[1]

The estimate of the future course of unemployment on which they based their financial recommendations was calculated by the Government Actuary on the experience of the trade unions and the 1911 insurance system, with a little extra thrown in for luck. These calculations indicated that an average of good and bad trade showed only $4\frac{1}{2}$ per cent of unemployment. This latter, it was considered, was perhaps a little low; and "taking a broad view of the problem, and no other is open, he is inclined to think that in adjusting the finance of the scheme a rate of 6 per cent should be assumed."[2] This figure was adopted by the committee, although in fact the unemployment percentage had never fallen below 8·6 since 1920, and before the Report had been out a year it had risen to 12.

It was, however, in their proposals for calculating the right to benefit that the main interest of their report lies. For these, and the reasoned statement in support of them, are indicative of the rapid movement in opinion that had

[1] Blanesburgh Report, p. 36. [2] *Ibid.*, p. 35.

taken place away from the original principles of the first experimental scheme. The 1911 scheme was, in the words of its originator,

a primary provision in that it was intended to be the first line of defence. The idea was that it would cover the greater part of the normal unemployment that took the form of seasonal and cyclical fluctuations. It was never intended or supposed to be the sole provision against unemployment as it was always recognised that there were forms of unemployment which were not really of an insurable character.[1]

The Blanesburgh Committee took quite a different view of the purpose of insurance.

A good scheme, it is agreed [they reported], should provide benefits for all insured persons who are genuinely unemployed . . . and where, as frequently happens, there is no work at all to offer, another test of genuineness must be sought for.[2]

It is also, we believe, common ground, and it is our view, that the Insurance Scheme while excluding non-genuine cases, should not fail to provide benefits for all insured persons who can fairly be described as genuinely unemployed.[3]

We have no wish so to limit insurance benefits that persons genuinely unemployed shall be driven to apply for Poor Law relief. As already explained, a minimum number of contributions is necessary to ensure that benefits are paid only to insured persons and to prevent the Fund from degenerating into an able-bodied pensions scheme. Within these limits, which are designedly broad, we think that all genuinely unemployed persons who are insured in the scheme should be able to claim provision.[4]

These quotations show the mind of the Committee; and that their recommendations were so immediately embodied in legislation is evidence of the fact that it was typical of general opinion. The whole emphasis here is put on the importance of keeping the industrially unemployed man away from the Poor Law. The nature of his unemployment, the question as to whether its prolongation was sufficiently calculable to be insurable, was completely ignored. Despite the continually repeated experience of thirty years,

[1] Royal Commission on Unemployment Insurance. Minutes of Evidence of Sir H. Llewellyn-Smith, Q. 10259.
[2] Blanesburgh Report, p. 40. [3] *Ibid.*, p. 41. [4] *Ibid.*, p. 43.

the whole of unemployment was lumped together as homogeneous in character.

It was this emphasis which accounted for the introduction of a clause limiting benefit to those " genuinely seeking work."

> We believe [said the committee], that the arrangement we propose will enable benefit to be paid to all who can fairly be said to be genuinely unemployed and in so far as there are persons satisfying this test who are seeking benefit in preference to employment, we rely on their being excluded under the second condition, viz. that they are not genuinely seeking work.[1]

The inclusion of such a condition was a virtual indictment of the Employment Exchanges. The Exchanges had been established for the express purpose of preventing that aimless wandering about which is involved in the search for work. When Mr. Winston Churchill spoke of the Labour Exchange and the unemployment insurance system as being " man and wife " he was stressing their complementary nature. The Exchange was there to see that every available job was filled by a suitable worker. The insurance fund existed to pay benefits to those for whom no available job was to be found. The recommendation of the Blanesburgh Committee implied that this relationship did not in fact exist—that there were jobs of which the Exchanges were not cognizant and which workers could discover by their own efforts, but which, without some encouragement, they would not take the trouble to track down. When it is remembered that only one out of five placings is made by the Exchange, there may seem some justification for this attitude, but it is nevertheless a confession of failure on the part of the Exchanges. But this was not the principal criticism that can be made of it. Such a test is extraordinarily difficult to administer. It is admittedly an attempt to ascertain the " state of the applicant's mind," [2] to find out if the applicant really wants work or prefers to live on benefit. Even an expert psychologist might make mistakes in such a matter. Many men when questioned by officials are nervous and ill at ease; they make con-

[1] Blanesburgh Report, p. 41.
[2] See Decision of the Umpire, Appendix 3, Blanesburgh Report.

tradictory and confused statements. A really good workman often gives a bad impression, when one who is more self-possessed or who has had previous experience of the ordeal does better.

The state of a man's mind [said the Morris Committee], may be a matter of fact, but it is fact of a kind of which two neutral and unbiassed persons might reach opposite conclusions after the most careful consideration of the evidence available to them for forming a judgment.[1]

An Employment Exchange dealing with hundreds of applicants a day has not the time to make these delicate assessments and must necessarily be ruled by the applicant's glibness in "telling the tale," or by evidence submitted that he has in fact applied to different firms and been refused a job. But when a man has been out of work for weeks it is too much to expect of human nature that he will start out jauntily every morning afresh in the hope of getting a job before the day is out. His attendance at the Exchange to sign the register has shown him that there are thousands of men out in his district; he learns from the press, from his own personal experience and from the reports of his friends that trade is depressed, that firms are turning off men. He himself probably has that subdued feeling that comes from prolonged under-nourishment. How is it possible for him to feel any hope, or how can he judge in which direction to renew enquiries that for weeks have been fruitless? Though he may do nothing more than attend the Exchange, he is still as anxious and keen to get a job as another man who has wandered round the town all day. It is often difficult for the members of other social classes to make the effort of imagination which enables them to understand the state of mind of a workman who has been long out of work—the sense of helplessness, the utter weariness of spirit. Few workmen are sufficiently articulate to express this in words, and fewer still have the opportunity to make public their sentiments. Occasionally, however, those who have

[1] Report of Committee on Procedure and Evidence for Determination of Claims, 1929, p. 19.

never had the task of looking for work have the chance to learn the experiences of those who have suffered in this way.

After a few months of 1929 had passed [wrote John Brown], I began to weary of the incessant drudgery of work-finding. My boots were always in need of repair, my clothes grew shabbier and shabbier. I had no macintosh, and frequent exposure to wind and sleet and rain brought on a succession of colds. Some of these developed into bouts of influenza but I could not stay in bed until I was better, for the Exchange authorities had an uncanny knack of discovering such happenings.[1]

The selection of experiences of unemployed persons published in *Memoirs of the Unemployed*, edited by H. L. Beales and R. S. Lambert, gives further insight into the effect on a man's mind of the unsuccessful search for work.

When I got stood off, at first I used to go round every morning to see if there was any chance of a start. But it's no good. Nobody wants you anywhere.[2]

Back again to the unemployed feeling; haunted by my last dose of unemployment, I hunt for work everywhere. I answer adverts, write and enquire on different firms, call personally, but it's all hopeless. The only jobs I get are temporary and I'm fed up with life.[3]

At first I was optimistic, feeling sure that being a skilled workman, and good at my job I should soon find work. But time soon proved to me the error of my thinking. I visited all the large works in the town, with no success, and in many places I was told I was a d——d nuisance, and I ought to know it was useless applying unless a vacancy was advertised.[4]

Dr. Wight Bakke speaks of the feeling of hopelessness engendered in men when they come to the Exchange to "sign on" and see the immense queues waiting for the same purpose.

Their words are so nearly identical [he says], that one worker may speak for them all: "Do you know what it makes you feel like when you see all these men out of work three times a week? Well you say to yourself even if you try not to, 'What is the use of looking for work with all this crowd after jobs?' . . . The faith that a 'good man can always find work' and the incentive

[1] John Brown, *I was a Tramp*, p. 198.
[2] A Pulleyman in *Memoirs of the Unemployed*, p. 109.
[3] A Carpenter's Son, *Memoirs*, p. 200.
[4] Skilled Letterpress Printer, *Memoirs*, p. 231.

to 'get back on your own again' suffer somewhat of a paralysis under the shadow of this cloud visualised concretely every other day." [1]

In such circumstances there is little possibility for a harassed official to judge the genuineness of a man's search for a job. The clause gave rise to so much criticism and protest that a committee was appointed under the chairmanship of Sir Harold Morris to examine its effects. The Trades Union Congress urged very strongly before this committee that the effect of this condition was to prevent the proper development of the work of the Employment Exchanges on which the whole of the insurance scheme rests. If employers get into the habit of relying on men who would tramp about in search of work, there is a return to the situation which the Royal Commission on the Poor Laws criticised so strongly in 1909. Nor is it in fact any guarantee against misuse of the funds. The glib man can always get through. "The attempt to apply the 'genuinely seeking work' condition has resulted in the undeserved penalisation of thousands [2] of decent people, without seriously inconveniencing those whom it was intended to deter." [3] They felt the whole onus should be put on the Exchanges and that benefit be refused only if the Exchange could prove that the claimant had been offered suitable employment and had refused it. The Committee were unanimous in recommending the abolition of the condition, but bearing in mind the fact that the Exchanges do, in fact, fill only 20 per cent of available openings the majority suggested that the condition for disqualification might be made if "there is evidence that suitable work was available and he fails to prove that he had made reasonable efforts to obtain such work." The clause was repealed in the Act of 1930.

The determination to provide out of the insurance fund for all "genuine unemployment" led to the committee's recommendations that the rules which limited benefit should

[1] E. Wight Bakke, *The Unemployed Man*, p. 82.

[2] The report gives 340,045 claims as stopped on this account during the year ending May 6, 1929.

[3] Minutes of Evidence, p. 36.

be altered. These rules which provided that benefit be paid according to the number of contributions made, with a maximum of 26 weeks in one year, had never been properly observed since the beginning of the depression, because, had they not been relaxed, large numbers of persons would have been deprived of benefit and compelled to seek Poor Relief.

> It thus appears [said the committee], that while the rules are of little practical effect in times of unusually good trade, they bring to an abrupt and arbitrary conclusion at other times, the unemployment benefit of otherwise genuine claimants.[1]

But any sound insurance scheme, they argued, must cover completely the risk involved.

> In insurance of other kinds the benefits are not related to the number of contributions. It is the damage done by the fire and not the number of fire insurance premiums, which settles the compensation payable by a fire insurance company.[2]

They suggested, therefore, that provided an applicant could prove he was genuinely seeking work, he should have the right to claim benefit as long as he remained "in the insurance field." An average of 15 weeks employment a year in any insured trade was adequate for this purpose, and their proposal, which was accepted by the Government, was that an applicant for benefit must show 30 contributions in the two years preceding his application.

The committee completely failed to recognise that the "ratio" and "maximum benefit principles" had other motives than simply to keep out the loafer. The analogy of fire insurance does not bear examination. A fire insurance company does not impose a flat rate of premiums irrespective of the degree of risk involved. The extent of the probable damage is calculated and the premium adjusted accordingly. But although different trades and the various workers in those trades have widely divergent risks of unemployment, the premiums are the same for all. If the benefits are not limited, a serious injustice is done to those whose risk of unemployment is slight, but whose contributions are used as a subsidy to maintain the chronically

[1] Blanesburgh Report, p. 50. [2] *Ibid.*, p. 43.

unemployed. If chronic unemployment is an essential feature of our industrial organisation, a good case can be made out for the maintenance of its victims by other members of society who are more fortunate. But it is impossible to justify a scheme which singles out the workers and employers in certain industries as those on whom the burden of their support must primarily rest.

Yet even these lax conditions for the receipt of benefit were too severe for very many of the unemployed who had been out of work for so long. They were unable to show the required number of contributions. For a transitional period, therefore, the Government decided on the recommendation of the committee, that an applicant might continue to claim benefit if he could show that he had paid contributions in the preceding two years or 30 contributions at any time. The transitional period was originally the year following the passing of the Act of 1928, but was continually extended.

The sanguine expectations of the Blanesburgh Committee were not realised. By February 1930 the numbers in receipt of transitional benefit were 140,000, and the insurance fund was heavily in debt. The revised diagnosis of the problem made it impossible to regard such a situation any longer with equanimity. When revived prosperity was confidently expected, borrowing by the Fund to pay current benefits could be easily permitted. It was anticipated that the turn of Fortune's wheel would rapidly reduce the number of claimants and increase the number of contributions. It would only be necessary to maintain the admittedly high rates of contributions during the years of good trade for the debt to be paid off and an adequate reserve to be built up against depression in the future. Moreover, as has been seen it was believed that there was no need to condemn a system which subsidised trades with heavy unemployment out of the funds collected by the contributions of workers steadily employed, because the future might easily see a reversal of these positions.

But the realisation that the unemployment problem contained certain novel features necessitated the abandonment

of this point of view. There was no longer any basis for such optimism. Even if general trade revived there was a core of unemployment that was likely to remain stubbornly persistent. The redundant labour in coal mining, in cotton, in ship-building, etc., would have small chances of reabsorption simply by patiently waiting for " something to turn up " ; and the maintenance of these workers out of an unemployment insurance fund contributed by employers and workers in other trades was seen not only to be a grave injustice, but likely to burden the fund with debt for a very long time to come.

The Act of 1930 which abolished the " genuinely seeking work " clause, introduced, therefore, a new financial arrangment. It made the Treasury financially responsible for all recipients of transitional benefit. The benefit continued to be administered in the same way as before, by the Employment Exchanges, and claimed as a right by those who could prove the very slight qualifications demanded. But the money for the payments was provided by Treasury grant, and ceased to be any burden on the contributions of those employed.

This Act is indicative of the chaos into which the insurance system had got itself in consequence of opportunist legislation. Each Government, whatever its political complexion, had been forced to make alterations to the original structure. Each change was made in a breathless attempt to catch up with immediate need. There was never time to consider deliberately whether the changes and additions would fit into the original structure or whether they might not undermine its foundations. It was hardly realised that these alterations often involved fundamentally new principles. This was not the result of a change of opinion ; it was almost entirely caused by the pressure of circumstances, and only after the alteration had been completed did people wake up to what it involved.

II

The main factor in forcing amendments to the unemployment insurance scheme was the close relationship between

the incidence of unemployment and the cost of poor relief. The establishment of some method of maintaining the unemployed other than through deterrent Poor Laws had produced two effects. It confirmed the growing public opinion that it was wrong that unemployment should lead to pauperism. At the same time it changed the attitude of a very large number of Boards of Guardians to their task. In the badly-hit areas where thousands of able-bodied persons became destitute through the exhaustion of their claims on the insurance fund, many unions provided out-relief in a manner which showed a complete break with the traditions of the past. They recognised that deterrent assistance could not make men find jobs where no jobs were available. The enormous increases in the applications for assistance that were the result of such conflicts as the coal strikes of 1921 and 1926, or of the perpetually-recurring exhaustion of benefit, threw such additional work on to the Boards of Guardians that detailed investigation of individual circumstances was almost impossible; so that very often out-relief was given without any "test" and on automatic published scales.

The rise in the cost of poor relief was consequently enormous, as can be seen from the following figures.

OUTDOOR RELIEF [1]

Year ending March 31.	Average Daily No. in Receipt of Outdoor Relief in the Year.		Amount of Out-Relief given in Money and Kind during the Year.
	No.	Ratio per 10,000 of Population.	
1914	387,796	106	2,214,680
1920	300,641	80	4,109,278
1921	359,409	96	5,793,383
1922	1,049,465	277	15,443,084
1923	1,300,165	341	17,909,869
1924	1,084,599	282	15,066,059
1925	912,139	235	13,374,653
1926	1,003,399	258	15,735,527
1927	1,722,084	441	23,578,230[2]

[1] Annual Report of the Ministry of Health, 1926–7, p. xx.
[2] *Ibid.*, p. 136.

Moreover, this increase in expenditure was not spread evenly over the whole country. From the first certain areas of high pauperism stood out, due in part to the fact that the depressed industries are highly localised in particular districts, and in part due to the policy of those responsible for the administration. For example, the Annual Report of the Ministry of Health for 1922[1] showed that the proportion of the population chargeable to Poor Rate varied from 1 in 200 in some Unions to 1 in 10 in Newcastle, South Shields, Pontypridd, etc., and 1 in 6 in Poplar. Of the big increase in pauperism due to dislocation in the heavy industries following on the coal strike in the previous spring, 99·5 per cent was found in only 119 of the 646 unions of the country. In the Reports of the two following years it was shown that 22 per cent of all persons relieved in the whole country were found in 15 Unions.

Public Assistance was almost entirely a local charge before the Local Government Act of 1929, and differences in the numbers of persons relieved show themselves in the wide discrepancies between the rates of different areas. Now rates, unlike income tax, are a direct element in costs of production. Firms in depressed industry were faced by heavy rate charges which, by forcing up their costs of production, prevented them from expanding their sales. The difficulty was increased by the fact that these firms were generally working short time, and the burden of the rates had to be spread over a smaller number of units of production. For example, the cost of rates per ton of steel in 1914 was 3*s*. In 1924 the rates had risen so much that, if the factory had been working full capacity, the cost would have been 6*s*. 8*d*. In fact, however, the factory was working only one-third of its capacity and the amount of rates borne by each ton of steel was 21*s*.[2] The cumulative cost of local rates per ton of finished steel (i.e. counting the cost of rates in the various processes) which in 1913 had varied from 1*s*. 9½*d*. to 2*s*. 5*d*. for various firms,

[1] p. 85.
[2] Committee on Industry and Trade. *Factors in Industrial and Commercial Efficiency*, p. 485.

had risen in 1923 to from 3*s*. 6*d*. to 6*s*. 5*d*.[1] In coal-mining the percentage of the total cost due to rates was 1·64 in 1913 and 2·14 in 1925.[2]

Even businesses in the comparatively prosperous industries found that, if they happened to be situated in a depressed area, they were placed at a disadvantage in competition with rival firms located in an area where rates were lower. The inevitable tendency was for firms that could move to do so; and for new firms to establish themselves in the lower-rated districts. This has been one of the strong contributory factors making for the southward trend of industry and population. It has had the effect of increasing the difficulty of transferring redundant labour from a declining to an expanding industry, because it involves moving the household, as well as changing the worker's occupation. It has also involved the depressed areas in immense loss in social capital—roads, houses, buildings, schools, organisation, and so on—the use of which declines with the decreased industrial activity of the locality.

Since the passing of the Local Government Act, 1929, the problem is not quite so acute. Industrial premises have been derated and the area of administration enlarged. But even the county is too small a unit for this service. The concentration of the major industries in certain districts has gone so far that the fortunes of a whole county are often involved in one or two industries, and there still remain therefore wide divergencies between rates. The burden on industry, however, has been considerably lightened.

Pressure thus came from all sides to urge some other form of maintenance for the unemployed than the poor rates. This led at first to "uncovenanted" or "extended" or "transitional benefit" paid from the insurance fund. When the growing insolvency of the fund caused disquiet the burden was transferred to the Treasury. But the very act of removing one injustice gave rise to another. The laws governing the grant of public assistance insist that no relief may be given without proof of need, as shown by an enquiry into the circumstances of the individual. When

[1] *Ibid.*, p. 487. [2] *Ibid.*, p. 482.

assessing the need the authorities are instructed to take into account the resources of the whole household, and to remember that relatives of a certain degree of kinship are legally liable for the support of other members of the family. But the transitional benefit was paid without any such enquiries. An applicant had merely to prove that he had at some time been employed in an insured trade for at least thirty weeks, that he was available for insured work and had reasonable chances of being employed again in the future. As long as the transitional benefit was paid out of the insurance fund the fiction could be maintained that the recipient was, in a sense, getting benefits for which his future contributions would pay—that his benefit was, therefore, an anticipated insurance claim. But as soon as the payments were financed by the Treasury this could no longer be urged. The Act of 1930 created a body of persons who were thus recipients of national out-relief, but out-relief paid as a right without any enquiry into the needs of the claimant. That the vast majority of those claiming and receiving " transitional benefit " were definitely in need there is no doubt. This does not remove the anomaly of the situation. There are about six million workers employed under a contract of service, besides the large number engaged in business on their own account (very often on a very small scale) who are not covered by the Unemployment Insurance Scheme. Those in an industry which had never been included in the insurance system, such as agriculture, had to apply to the local Public Assistance Committee when unemployed, and prove destitution before being granted out of local funds an allowance which varied in accordance with their needs. Those who had been employed in an insured trade had merely to prove the fact of their unemployment at the Employment Exchange, in order to receive benefits on a fixed scale out of national funds.

It was, however, the heavy cost of making these payments rather than the anomalous position which stirred the Government to action. The world-wide depression which developed so swiftly after 1929 rapidly swelled the number

of those claiming transitional benefits. The First Report of the Royal Commission on Unemployment Insurance,[1] published in June 1931, showed that the cost of unemployment to the Exchequer had increased from £11,750,000 in 1928 to nearly £37,000,000 in 1930–1, and would certainly rise further in the current year. Under the conditions of the time, income and expenditure of the Fund balanced when 900,000 persons were in receipt of benefit. This corresponded to a "live register" of about 1,275,000, for of this number some would have no claim to benefit, and some be on transitional benefit. The "live register" was, however, more in the neighbourhood of 2,500,000 during that year, which not only meant an increase in benefits paid but also a reduction in contributions collected. The income of the Fund was thus little more than 50 per cent of sums paid out, and a material increase in the already huge debt (which in May 1931 stood at £82,860,000) could be anticipated. The rate at which the Fund was being compelled to borrow was so great as virtually to obliterate the effect of the Sinking Fund, by means of which the Government was seeking to reduce the National Debt. And in addition there was the cost to the Treasury of transitional benefit, which was estimated for a full year at £35,000,000. The majority of the Commissioners recommended, therefore, that certain changes be made immediately, pending their complete report. They suggested reduction of benefits (on the ground that the cost of living had fallen very considerably), and that the period during which benefit might be claimed should be reduced to a maximum of twenty-six weeks in a year. This limitation would affect about one-seventh of those in receipt of ordinary benefit, and would increase by that number the applicants for transitional benefit. Despite the added burden to the Treasury, the Majority believed that it was best to retain the transitional benefit, since its abolition would throw a large number of the able-bodied onto the Poor Law, and make it even more difficult for industry in the depressed areas to regain lost markets. But they believed that new

[1] Cmd. 3872/1931.

conditions might with justice be imposed. Firstly, in order to prove that he was still in the insured field, a worker should show he had paid thirty contributions in the preceding six years, a condition which would affect only about 40,000 applicants all over the country. The second suggested change was, however, very much more important. It was the recognition that transitional benefit partakes more of the nature of unemployment relief than of insurance proper, and that there is therefore no reason why payment should be made without some regard to means and needs. To scrutinise a very large number of claims, however, imposes such administrative difficulties that they recommended that the test of needs should be applied only to certain classes: single persons residing with parents or relations to whom they might reasonably look for support, married women whose husbands were in employment, and those in receipt of workmen's compensation or service pensions.

An even more serious attack on the existing situation came from another quarter. The Committee on National Expenditure had been appointed in February 1931, under the Chairmanship of Sir George May, to advise as to the best means of effecting economies in national expenditure. In its report, which was published in July, it criticised very adversely the policies which had led since the War to a rapid rise in the cost of social services.[1] The Committee believed that the mass of the population were living in a fool's paradise, for they expected an improvement in the material conditions of life and were insistent in their demands on the members of Parliament whom they supported, with the result that candidates found themselves returned to Parliament, committed to a policy involving increased expenditure. The long-continued slump in the basic industries, enforced by the seriousness of the wide-spread depression, made it obligatory to face the facts. A return to general prosperity could not be hoped for, if the Government continued to add to its burdens the cost of which "must be considered definitely restrictive of industrial

[1] Report, p. 14.

enterprise and employment." [1] Stringent economy must be the watchword for the future. It only remained to choose the lines on which expenditure could most effectively be reduced.

The general impression given by the Report is of a reactionary character. The committee, without saying it in so many words, evidently held the view that the social services are a luxury permissible only when times are good. It was, therefore, principally the expenditure on these services to which the committee directed their attention, and in particular to the heavy cost of the maintenance of the unemployed. They pointed out that the Fund was borrowing at the rate of about £1,000,000 a week, and that this could not continue. "Borrowing for such purposes is in reality adding to the National Debt to relieve current revenue charges and is opposed to the principles of sound finance hitherto accepted without question in this country." [2] They recommended that borrowing should cease at once, and the full cost of benefit be met out of the Fund and current income. This, however, would entail an increase in Government expenditure, and together with commitments already entered into on certain other services, would, unless strict economies were at once enforced, lead to a Budget deficit of no less than £120,000,000.

To cope with such a staggering figure, the proposals of the first Unemployment Report seemed to them totally inadequate. They recommended the reduction of benefit by 20 per cent, limitation of benefit to twenty-six weeks in one year, the imposition of a needs test for *all* those whose claims to insurance benefit were exhausted, and the inclusion in the insurance scheme of certain classes of workers hitherto excluded as not being subject to any serious risk of unemployment, e.g., state and municipal workers (including school teachers) employees of public utility companies, etc. In this way they hoped to reduce the charge on the Exchequer by £66,500,000 a year.

The publication of this Report raised a storm at home and abroad. The financial situation in 1931 was fraught

[1] *Ibid.*, p. 15. [2] *Ibid.*, p. 15.

with difficulty. The whole world was involved in a depression of greater intensity than had ever before been experienced. The payment of Reparations and Inter-Allied debts not only caused economic stresses, but created a tense political situation. There was, universally, a feeling of insecurity which might easily lead to panic. And there was no agreement even amongst the experts as to the best way out of the difficulties.

England's position was peculiarly unfortunate. The world depression hit her particularly hard, because much of her exports consist of the " invisible " items of shipping, insurance and banking facilities, none of which are much in demand when world trade is slack. But the bulk of her imports is made up of food and raw materials, the demand for which necessarily is less easy to reduce : and the balance between imports and exports was thus more difficult to maintain. In addition, as the principal money market of the world, England was much involved in Germany's financial and economic troubles. The slump in America made it impossible for the financiers of the United States to continue lending to Germany on the scale of the previous years. And the English bankers, in order to prevent Germany's complete collapse, with the consequent loss of capital already invested there, felt compelled to make large loans to them. A great part of the capital lent to Germany had been deposited in English banks by Americans and Frenchmen, both on account of the high rates of interest ruling and because of the security that English banks were felt to offer. These deposits could be recalled by them at will.

The failure of the Credit Anstalt in Austria led to the toppling of this crazy structure. The failure of one big bank led to increased apprehension with regard to the security of all the others. Political and economic tensions reacted on one another, with the consequence that there was a run on Germany's banks, which might have led to complete bankruptcy had prompt action not been taken. The moratorium of reparation and war debts proposed by Mr. Hoover, and the " standstill " arrangement agreed to by the bankers who co-operated in renewing their loans, saved

Germany. But this latter arrangement involved England in serious consequences. Many Americans had already been withdrawing their capital to meet their own staggering losses due to the financial and industrial slump. Fear as to what was happening in Europe accelerated this movement. But England's assets were frozen in Germany, and the only way to meet the demands of American depositors was by a flow of gold out of the Bank of England.

The May report, then, was issued to a world whose nerves were already strained to breaking-point. It appeared, from the Report, that England was engaged in riotous expenditure when her reserves were least able to stand it—exports down, credits frozen, and an unbalanced Budget whose deficit would reach the colossal figure of £120,000,000 in the following year, unless strict economy was enforced. The "flight from the pound" followed. Foreign owners sought to repatriate their capital as quickly as possible; gold flowed from the Bank of England at such a rate that the gold standard was threatened. Drastic retrenchment of expenditure was essential if the budget was to be balanced and credit restored. The differences in opinion as to how this should be achieved led to the downfall of the Labour Government then in power, and the establishment of a National Government in its place.

Amongst the first actions of this Government was the issue of certain National Economy Orders, which increased rates of contribution to the Unemployment Insurance Fund, lowered rates of benefit, reduced the maximum duration of benefit to twenty-six weeks in one year, and instituted a Means Test administered by the Public Assistance authorities for all those who claimed transitional benefit. The imposition of a test of means was therefore dictated primarily by financial exigencies, rather than any concern as to the lack of justice as between man and man. And it is safe to say that no part of the insurance scheme throughout the whole of its history has raised such a storm of controversy and caused such bitter feelings as this test.

When the Royal Commission made its recommendation, it recognised that an investigation into the means and

needs of half a million or more families would throw an immense burden of difficult work on to the authorities undertaking it. For this reason they recommended its limitation, at least in the first instance, to certain classes of applicant. The Government, however, in its anxiety to reduce expenditure drastically, decided to make it universally applicable, and moreover to leave it to the Public Assistance authorities whose officials were already overburdened by the enormous increase in the demand for Poor Relief. There is little doubt that a very large proportion of the hostility felt all over the country to the Means Test has been caused by the method of administration rather than by the idea of the test itself, though in the minds of the public the two have become so inextricably intertwined that this distinction is rarely made. Mr. G. D. H. Cole was expressing a very popular opinion in one of the statements he made in his evidence before the Royal Commission.

> If the people who were administering a scheme of this sort [he said], regarded the poor as their equals, I should have no objection to means being taken as a basis of relief, but as it is going to be administered by people who regard the poor as their inferiors, I won't touch it.[1]

This point is not often so clearly expressed, but it certainly underlies a great deal of the hostility the Means Test has aroused.

That the administration of the Means Test is largely a reflection of the social philosophy of the personnel of the Public Assistance Committees, the figures of disallowances bear witness. The enquiries made for the Royal Commission as to the numbers of claims for transitional payments which had been disallowed showed a very remarkable disparity as between districts. The percentage of applications allowed at maximum rates of benefit varied from 11·2 in Aberdeen, 11·8 in Oldham, 20·2 in Liverpool, to 98·7 in Rotherham and 98·9 in Merthyr, from 11·4 in Lanarkshire and 15·7 in Lancashire to 93 in Glamorganshire, with an average of 50·8 for the whole country.[2]

[1] Minutes of Evidence, Q. 6156.
[2] Royal Commission on Unemployment Insurance, p. 62.

There are, of course, many factors which may account for these wide divergencies, other than the differing views of the authorities in the various parts of the country. In some districts it is usual for several members of the family to be earning and for the unemployed applicant to have, therefore, other means of support; in mining villages, on the other hand, this is infrequent. The number of alternative and supplementary occupations varies from one place to another. The length of time that the depression has already endured in the locality affects the amount of savings on which the applicant can fall back, and the amount of help he can get from relatives. But the divergence between the figures in the different districts is too large to be accounted for entirely in this way. It can have no other explanation than the attitude of the committees which were called upon to adjudicate upon claims. This has meant that a benefit which was provided out of national revenue has been given to or withheld from individuals, not in accordance with uniform principles, but according to the locality in which the applicant chanced to live. Had the Central Authority at the outset laid down definite principles as guidance to the Public Assistance Committees and taken care that the judgments made were in sympathy with those principles, it is, at least, probable, that a fair amount of the criticism directed against the Means Test would never have been made. In the districts where the committees have interpreted their duties in a harsh and rigorous spirit, the disappointed applicants have felt resentment at the injustice of a system which meant a different treatment to them from that meted out to others whose circumstances were exactly the same, but who had the fortune to come before a more generous body. Sometimes the Committee insisted that the applicant should have exhausted all his savings before "need" could be admitted; in other cases only a proportion of the savings was taken into account. But more than any one factor, it was the interpretation of household resources which aroused the most bitter conflicts of opinion.

When the Public Assistance Committees are administering

out-relief the question is not so acute. They are bound to relieve destitution, however caused; and whilst destitution has no statutory definition, it has been sufficiently clearly defined by the Legal Adviser of the Local Government Board who gave evidence before the Royal Commission on the Poor Laws, 1905–9. He described a destitute person as being without material resources appropriate to the satisfaction of his physical needs. This has been generally accepted by the Central Authority which has laid it down that "in assessing the amount of relief to be offered the general principle is that income and means from every source available to the householder must be taken into account."[1] Whether the persons forming the household are related or not is irrelevant to the Authority, which is bound to support them if destitute, and if one of the persons in the household did, in fact contribute to the support of the others, whether legally liable by relationship or not, the person so supported would not be destitute, and, therefore, not competent to claim relief.

But when the necessity arises to decide the right to transitional benefit the issue is much more complex. Once the applicant has proved that he is involuntarily unemployed, what proof of need should be shown in order to be allowed transitional payment? Some committees insisted on counting all the earnings of all members of the household, whether legally liable to the support of the applicant or not, as being available for his use. Others took only a percentage into account. Sometimes sons and daughters left home and lived in lodgings in order to qualify for benefit, as having no other "household support." Far from binding families together, it is alleged that in many areas the interpretation of "household resources" has led to bitter friction and the break-up of the family. The father of a family refused benefit on the grounds that his wife or young son or daughter was earning has found his position intolerable. By the time that the Central Authority laid down regulations for the guidance of the local bodies explain-

[1] Ministry of Health Circular, No. 1069, Jan. 3, 1930, quoted. Royal Commission on Unemployment Insurance, p. 64.

ing the proportion of savings or other resources that might be taken into account in assessing means, the mischief had already been done ; and the bitter resentment against the administration had resolved itself into hostility to any form of enquiry at all.

There were, however, many who from the outset were opposed to a " means test " on principle. Such opposition was the official attitude of the Trades Union Congress and was the basis of the Minority Report of the Royal Commission. From the early years of the century the more advanced elements in the Labour and trade union movements had based the demand for " Work or Maintenance " on the ground that it was the duty of the State to make provision for those who, through no fault of their own, were prevented from earning a living by their labour. The contributory insurance scheme had been accepted largely because the State's share in the financial burden was an explicit recognition of the communal responsibility. But from the moment that unemployment became serious, the limitation of the period for which benefit could be drawn had been sharply criticised, and the demand that provision should be made for genuine unemployment, however protracted, had become more insistent. To those holding this view the most important features in the situation of the unemployed were universal and there was therefore neither sense nor justice in any difference of treatment.

It is often urged that troubles have beset the Insurance Scheme [said the Minority Report], because Insurance and Relief have become confused, and that it is essential for the soundness of the scheme that the two should be sharply distinguished. But it is surely difficult to make a sharp distinction between two forms of treatment when these are to be applied to persons who are for the most part of the same type and suffering from the same malady. They all suffer from a common loss—loss of wages—and a common need—a need of work.[1]

They disagreed with the view that unemployment could be divided into different categories for one of which—the

[1] Royal Commission on Unemployment Insurance, Minority Report, p. 393.

intermittent and transient—insurance was an appropriate remedy; the other—the chronic and persistent—for which it was not. Any attempt to distinguish between types of unemployment by means of the duration of the period during which the victim had been out of work must necessarily be purely arbitrary.

Many of the applicants for transitional payments to be found in all areas are young men in the early twenties who have completed their appenticeship, or have grown too old for the occupations of boyhood and of youth and have failed to find a footing in the occupation of an adult. At all times this transition may cause a period of unemployment; in these times the period is prolonged. Again, the check on all building operations has caused hundreds of thousands of workmen, both in the building trade itself, and also in those industries which manufacture building materials, to be unemployed for so long that they have passed to the transitional class. But their unemployment is not of a chronic type. As soon as building schemes start again they will be at work. The clerical worker who loses his employment through reduction in staff, or the factory worker "stood off" because of shortage of orders, or the shop assistant because of slackness of trade—these in good times would tend to get back to work in a short period before they had exhausted their "benefit." Because times are bad, their search is prolonged and they pass to transitional payment. They cannot be described as a different type of unemployed.[1]

If the line of demarcation is fortuitous they urged that there can be no justification in giving those on one side of the line a payment without investigation as to means, and those on the other side of the line a payment only after an enquiry has been made.

It might be argued here that for those on one side the payment is an insurance benefit for which premiums have already been contributed and that it comes therefore as a right. The Minority Commissioners refused however to make this distinction. A great deal of harm, they contended, had been done by the confusion of thought and the misconceptions that had so thickly gathered about the scheme for provision for the unemployed. It had never at

[1] Royal Commission on Unemployment Insurance, Minority Report, p. 393.

any time been an insurance system. It is true that the contributor's title to benefit is a statutory right, provided the conditions are fulfilled. But so is his right to an old age pension, which is a direct payment out of national revenue. Again the fact that the receipt of benefit depends upon the payment of a number of contributions does not constitute it an insurance payment. It is of the essence of insurance that the contract is inviolable; the premiums are paid, the security is assured. But there has been none of this permanency in the unemployment insurance contract. Contributions, benefits and conditions have changed with bewildering rapidity to meet the needs of the moment. An insurance scheme must be solvent over a period of years, but the solvency of the unemployment insurance system can always be maintained by variations in the size of the Government contributions. The amount of the grant is therefore not a matter of actuarial principle, but a question of financial policy. It is simply the problem of discovering the best way of raising the necessary funds.

They concluded that since no part of the unemployment payment was a real insurance benefit, no end was served by limiting benefit to any particular period of time.

> The Scheme should continue to pay benefit as long as unemployment continues, that is, as long as a claimant is without work, able to work and unable to get work. There is no reason in equity why benefit should come to an end before the period of unemployment ends.[1]

Nor should the amount of benefit depend in any way or at any period of his unemployment on the amount of his other resources.

> Unemployment benefit should be regarded as compensation for loss of wages due to unavoidable unemployment, and there is no reason why compensation, like wages, should not be paid regardless of other resources.[2]

A Means Test is a discouragement to thrift and an inducement to the break-up of the family.

> If deductions from the payment are to be made because the recipient has accumulated savings or because there are wage-

[1] *Ibid.*, p. 405 [2] *Ibid.*, p. 415.

earners in the family, there is every inducement to him not to accumulate the savings, or for the wages not to be earned or for the wage-earners to leave home.[1]

These quotations show the different conception of the purpose of unemployment pay held by the leaders of the Labour movement from that which had been the basis of the insurance scheme. They are also evidence of some confusion of thought. When the system began in 1911 the weekly payments were never thought of as compensation for loss of wages, but as a means of maintaining the standard of living of the unemployed in a manner that enabled them to retain their dignity and self-respect. If the payment had been compensation for loss of wages it should surely have varied in amount according to the size of the wage that had been forfeited.

The object, I take it, of providing unemployment insurance [said Sir H. Llewellyn-Smith], is to provide a certain minimum purchasing power for the workman and his family who have been deprived of their wages through unemployment. You want to maintain the capacity to get a certain amount of necessary commodities and that is not a fixed percentage of wages at all.[1]

If unemployment payment is compensation for loss of wages, and " should be paid regardless of other resources," it is difficult to find justification for dependents' benefit, which is nevertheless supported by the Trades Union Congress. If a single man became unemployed and then married and had children during his unemployment the amount of benefit paid to him would be increased despite the fact that the wages for the loss of which he was presumably being compensated were unchanged. The difficulty of reconciling these two demands is well brought out in the evidence of the Trades Union Congress before the Royal Commission.

The Chairman.

Q. 7853. If the worker has a wife and family he needs more money than the worker who has no wife and family ?—I see what is in your mind—I know where you are leading me to.

[1] Royal Commission on Unemployment Insurance, Minority Report, p. 415.

[2] Minutes of Evidence, Q. 10,273.

Q. 7854. Very likely, but I am out to deal with this quite seriously and not in any hostile spirit. I want everybody concerned to look this matter in the face because it has got to be dealt with ?—If I have been a fortunate worker drawing, say, £3 or £4 a week, and if I am single, I ought to have saved money, and if calamity comes and I am thrown out of work you want to enquire into my financial resources. That is the needs test.

Q. 7855. No, forgive me, you are going away from the point. I do enquire into your needs to a certain extent, because I ask you whether you are single or whether you have a wife and children, and if you have a wife I then say to you : " your need is greater than a single man's and I give you 8*s.* or 9*s.* more, or whatever it may be, and if you have children your need is greater still and I give you 2*s.* more for each child." That is paid according to your needs, and if it is to claim something from the State, you say that is right ; but if it is to relieve the State you say that is wrong. I want you to explain why that anomaly should exist ?—I am trying to explain. It follows, of course, as you say, that in order to find my actual needs you must know my circumstances.

Q. 7856. Certainly ?—And you say to me ; " What is the amount of your banking account—have you a banking account ? "

Q. 7857. To put it shortly : " What are your savings ? "—Yes, and you say : " I must see what kind of furniture you have —whether you have a piano you could sell."

Q. 7858. No. I am not suggesting you should go so far as that. I only suggest you should be entitled to ask a person when he comes and applies for benefit : " Have you any other means ? "—not to go into the value of his furniture or anything of that sort—" Have you any other income, and, if so, what ?—You cannot start that without going into those very pernicious details that the old Poor Law used to enquire into.

Q. 7859. I want to be quite frank with you. But when a man comes and says :—" 17*s.* is no good to me," why should you not ask him : " Have you any other income ? " because that man's needs are represented by what his position is when out of work less what his income is if he has an income as compared with his neighbour who has no income at all coming in ?—We object to the principle being applied.[1]

The criticism of the Minority Report that the system has never been insurance in the true sense of the word must be admitted ; and it might therefore be contended that if a

[1] Minutes of Evidence.

case can be made out for an enquiry into needs, this should apply equally to all, and not only to those whose unemployment has been prolonged. There are, however, certain other considerations to take into account. The aim of any system of provision for the unemployed is to preserve their physical and industrial efficiency and enable the family to be maintained, and must be judged by its balance of advantages over disadvantages in achieving this end. By far the greatest proportion of unemployment is, even in the post-War period, of the short, intermittent variety, and for the persons in this category the prime necessity is a regular income. Now the so-called "insurance" method provides this in a way which, whilst not perfect, has a definite balance of advantages. The contribution made by the beneficiary gives him a feeling that he is not the subject of charity, that he has paid for his benefits, (and as Mrs. Sidney Webb said before the Commission, "even if this is largely a delusion, it is a socially useful delusion"), even though his contribution provides only a third of the total fund. There is no necessity for any inquisitorial investigation into family resources, and this circumstance not only preserves the self-respect of the applicant, but enables the system to be administered cheaply. Most important of all, it does not penalise thrift and foresight. The insured man has an incentive to save for an emergency because the benefit will be in addition to and not instead of his own savings.

> Unemployment benefit, uniform for all persons within a given category, leaves unchanged the inherent advantage that the thrifty and industrious and resourceful person enjoys over the spendthrift, indolent and apathetic person. It is in fact exactly the addition of equals to unequals that leaves this salutary inequality unchanged.[1]

Why then should this balance of advantages not be found if a payment as of right is made to *every* unemployed person irrespective of the length of time he has been out of work?

It was pointed out earlier that for the greater part of the

[1] Minutes of Evidence, Mrs. Sidney Webb, p. 1320.

nineteenth century the problem of unemployment was considered as mainly a matter of the character of the individual who was out of work. The tendency nowadays is often to go to the other extreme and assume that the worker is a completely passive victim of circumstances, tossed hither and thither by economic forces. It is as wrong an interpretation of the social situation as its former opposite. The personal factor in unemployment cannot be completely ignored. There is no suggestion here that unemployed men are work-shy and prefer to live without a job if they can get paid for doing so. Every enquiry into the quality of the applicants to the Employment Exchanges has proved that this is not so. Moreover the officials of the Exchanges have become sufficiently expert at their job for deliberate malingering on any extensive scale to be impossible. The difficulty is much more complex and subtle.

Both the Trades Union Congress Memorandum and the Minority Report demand that a man shall receive maintenance if he is available for work but no suitable employment is open to him. The difficulty arises out of the interpretation of these terms. In the insurance scheme the freedom of the worker is carefully guarded. The refusal of a job in an occupation to which he is unused does not disqualify him for benefit, though refusal to apply for a suitable vacancy, simply because it is in another district, might do so. This is sensible, because the purpose of the insurance benefit is to enable him to live whilst waiting to be reabsorbed into the industry for which he is trained. But if the unemployment of which he is the victim is not temporary in character the situation is changed. If the personnel of the industry is permanently reduced, or if technological changes have superseded the particular work on which he was engaged, there is little sense in waiting passively to be reabsorbed. It is true that any line of demarcation between temporary and chronic unemployment must be drawn arbitrarily. Nevertheless, there is a distinction between the two, despite a certain amount of overlapping between them ; and a maintenance allowance which simply allows a man to keep alive when there is little

chance of his re-employment in his old trade, is of no real value.

In a world which is continually changing adaptability is one of the first essentials, and an insurance benefit of strictly limited duration is a valuable check to the almost universal hatred of change. A false analogy is sometimes drawn between the Army and " the industrial army," and it is pointed out that soldiers draw the same pay whether they are engaged in fighting or are held in reserve in peace time.

> We keep an Army and Navy in good condition because they might be wanted some day, but it is never suggested that these soldiers and sailors are dole-drawers; although it is difficult to see the difference in principle between a military and naval force held in reserve for emergencies and the industrial reserve which is equally necessary to the Capitalist system.[1]

Yet whether it is difficult to see or not, the difference in principle is undoubtedly there. The soldier and sailor are under orders which must be obeyed. They cannot refuse to do certain jobs on the score that they are not suitable; they cannot refuse to go to the district to which they are ordered. For the period of their service they are bound to carry out in every detail the instructions of those in authority over them. But the industrial worker recognises no such compulsion. On the contrary he guards jealously his freedom of action. Like every other civilian he makes his own choice; within the narrow confines of his opportunities he decides to do what he thinks suits him best. The immensely difficult and lengthy process of adjustment to the changing environment is the result of innumerable decisions made by innumerable individuals. Men move from one occupation to another because they believe, rightly or wrongly, that it will give them a better chance of making a living. The process is slow, because the majority of people are conservative in habit, and will not easily alter their accustomed way of living unless the provocation is strong.

It may be argued that this is a foolish and wasteful way

[1] Trades Union Congress Pamphlet, 1930.

of doing the world's work, and that a carefully co-ordinated plan working towards a definite goal would be productive of greater wealth and fewer maladjustments. This may be so ; the fact remains, however, that at present no such plan is in operation and that the direction of the world's resources, both material and human, does depend upon these individual judgments. Now the maintenance of the unemployed for an unlimited period has the effect of slowing down this process of adaptation.

The industrial Survey of the Lancashire Area gives an interesting example of this. The investigators found that there was a shortage of machinists in certain branches of the clothing trade. The officials of the Employment Exchange concerned stated that they

found it impossible to fill all the vacancies notified, for many women are unwilling to try any type of machining they are not used to, or to seek work at factories any distance from their homes—even if they live in rooms they are reluctant to move to another part of the town. Appeals to them to try work on some process to which they are unused are often fruitless, for they prefer to receive unemployment benefit if possible and live at home until their own job is available again.[1]

A worker cannot be compelled by an official to learn a new task ; but he is much more likely to make the effort to do so if he knows that his maintenance does not go on forever, absolutely without question. " The Employment Exchange system, effective as it is, cannot provide a substitute for the diffused initiative of the unemployed themselves." [2]

The way in which the majority of men are compelled to earn their living is not conducive to the development of ambition, initiative and adaptability. From a very early age the member of the working-class family has impressed upon him the importance of a regular wage. Above all else the thing he wants is the job that brings him in a steady income—he wants security. To the boy of the middle classes the work he goes to on leaving school is merely the first rung of the ladder of his career. Hard work, additional training and luck may combine to offer him all sorts of new

[1] Quoted, Royal Commission on Unemployment Insurance, p. 100
[2] *Ibid.*, p. 101.

and better opportunities. Even if his life turns out in fact to be humdrum, yet the chances of promotion were often actually near him. For the working class boy, there is rarely any such dazzling picture to excite his hope and ambition. His chances of promotion are so few as to have very little effect upon him. He leaves school at a very early age, when his potentialities are still undeveloped; he becomes rapidly specialised in one narrow field. Whether his work is skilled or unskilled he thinks of himself as "belonging" to a particular occupation or narrow group of allied trades. And particularly in the case of the skilled or semi-skilled worker, his whole pride as a man and a worker is bound up with his aptitude in a certain job. Take that away from him and he loses his sense of distinction. It is natural that he should be unwilling to face the fact that his own trade is unlikely to find room for him again. Such a thought involves loss of status in his own eyes, and he shrinks from the effort he will be called upon to make in learning the routine of a new kind of work, and in acquiring the fund of almost traditional knowledge which a worker gets by contact with those with whom he is brought into touch in his work. If the new job demands, in addition, a change of district his hesitation and reluctance are immensely increased. He knows that there is no locality in which there are not some men out of work, and he fears that after the pangs and the expense of removal he will find himself soon unemployed again, this time in a strange place where he has no friendly neighbours or relatives to whom to turn. The longer the period during which the unemployed man has been maintained the more likely he is to have come to look upon his weekly benefit in the same way as he formerly looked upon his wage—the bulwark which protects his family from destitution; as something to be preserved at all costs.

The Industrial Transference Board which sought to transfer men from depressed areas in which their chances of employment in the future were slender to other localities where expanding industries were established, found itself confronted by just these obstacles.

Large units of population engaged in the heavy industries especially in coal-mining in South Wales and Durham [it reported], have lived in comparative isolation from the rest of the community. This has restricted the horizon of many to the narrow circle of one community or a small group of communities. The people have known depressions in the past but they have been temporary. Now they are faced with the fact that the industries on which they have depended for generations require a much restricted personnel. But in these areas the sense of ties of home and locality is strongly developed, and is a matter of natural pride. This gives these communities their strength of endurance and cohesion, but it is a psychological factor which operates against a policy of transfer.[1]

In such a situation nothing can be done unless there is the will to move amongst the people concerned and this has been lacking in the past.

The availability of unemployment benefit and poor relief, the reluctance of employers, workers and the State to recognise the contraction in the labour requirements of the heavy industries as more than a transitory problem, the existence of unemployment elsewhere, and the unwillingness to take risks, have all contributed during the past years to a tendency to wait in some vague hope that something will turn up to restore the local trades.[2]

This is the principal argument against the absolute right to maintenance during unemployment for an unlimited period of time. For the more ordinary type of unemployment, which is intermittent and temporary, the grant of a definite sum of money as a statutory right, without questions asked, has an overwhelming balance of social advantage. Experience shows that this right does not make the unemployed man any less eager to get back to his job. Not only his desire for more money, but his pride in himself, his self-respect, his position in his family and amongst his fellow-workers make him pathetically, even tragically eager, to get back to his work again. Dr. Wight Bakke in his illuminating study of the circumstances and psychology of the unemployed came to the conclusion that

the behaviour of the unemployed in searching for new employ-

[1] Report of Industrial Transference Board, Cmd. 3156/1928, p. 16.
[2] *Ibid.*, p. 17.

ment gives no evidence that the possibility of drawing Unemployment Insurance benefit has retarded the efforts of the unemployed to get back to work. It has removed the cutting edge of the desperation which otherwise might attend that search.[1]

But with the rarer, prolonged unemployment the balance of advantage cannot so easily be found. Eagerness to get back to one's work again is of little use if no such jobs are available. Readiness to strike out in a new direction is required. And here the right to a steady payment without question encourages the conservativism and lack of initiative, which the manner of modern industrial life has already so strongly developed. The regular payment represents security. After a long period of unemployment the household has adjusted itself somewhat to its narrow means. The worker himself is disillusioned and hopeless; he is ready to take a job in his own trade, but apprehensive of anything new. Yet unless he *is* prepared to make a fresh start, the essential process of adjustment to the changing demands of the world is impeded; and the necessity of justifying his continued receipt of an allowance may give him just that jolt which will get him out of his routine, and make him ready to face the altered situation.

Apart from the probable disastrous effects of unconditional, unlimited maintenance on the initiative and adaptability of the unemployed worker, there are other serious defects in such a scheme. Although the majority of persons work under a contract of service there are still a very large number of people who work on their own account—business men, small producers, farmers, shopkeepers. A very large proportion of these make a living which differs very little in kind from that of the wage-earner. Exactly the same impersonal economic forces which take from the worker his power of earning wages affect the size of the profits that these others can make. The shoe repairer or shopkeeper in a working-class district suffers when the local trade is depressed in a manner very similar to the employee of the industry who is put on short time or "stood off." And if the employee is to be "compensated for loss of employ-

[1] E. Wight Bakke, *The Unemployed Man*, p. 143.

ment " there is no reason in equity why the shopkeeper should not also receive compensation from public funds for loss of trade. Yet to give such compensation has never been suggested, partly because the analogy between the two sets of circumstances is usually imperfectly realised, and partly because the practical difficulties in the way of doing so are too obvious. The grant of such compensation implies the right of the shopkeeper to make a certain profit, irrespective of his skill in meeting the wishes of his customers. But no such right can be recognised. His takings are the reward for his foresight in finding the goods his clients wish to buy, and for storing them in a convenient place and disposing of them in amounts and at times to suit the purchasers. Nobody would dream of proposing that the Government should compensate him for having made a large purchase of unsaleable stock. Yet his reduction in profits may, in fact, be due, not to his lack of skill in choosing and selling his goods, but to the decreasing capacity to buy on the part of the habitants in the locality. It is the impossibility of distinguishing between the two elements that prevents any attempt at compensating for the loss caused by non-personal factors.

The Trades Union Congress argued that such a man could be made eligible for unconditional maintenance, provided he registered at the Local Employment Exchange as prepared to accept suitable employment. This is no way out of the difficulty. The suitable employment for the shopkeeper is shopkeeping. That is the job he understands and for which he has accumulated a store of experience. When conditions in the locality improve he will again be able to use his knowledge and skill to advantage. If his shop has gone bankrupt and there is no chance of his putting it again on a profitable basis, he may indeed have to face the need for a new occupation and be prepared to take employment in some different field. But the more likely occurrence is that his trade has declined and his profits been reduced. He is not " unemployed " in the technical sense; he must keep his skill and capital equipment ready for revival; he is not " available for

employment." Nevertheless, his losses are social in origin, as is the loss of earning power of the worker. To give to one the right to draw unconditional benefit from national revenue irrespective of his needs, but to deny this right to the other, is to make a distinction difficult to justify.

III

In 1930 the Royal Commission on Unemployment Insurance was appointed to make recommendations with regard to the means by which the scheme of unemployment insurance might be made solvent and self-supporting, and the arrangements which should be made outside the scheme for the unemployed who are capable of and available for work, and issued its Final Report in 1932.[1] The Majority based their recommendations on the view that a distinction must be made between temporary intermittent unemployment—the victim of which could expect to be reabsorbed within a reasonable period of time into his usual occupation —and chronic unemployment, where no such hope could be entertained. For the first they advocated the continuation of the insurance system with benefits drawn as of right, but for a strictly limited period of time. It was in their proposals for the maintenance of the unemployed outside the insurance scheme that they broke new ground. Their recommendations were based on certain general principles:

(*a*) That assistance should be given according to need; that is, that the payment should not be given as an unconditional right but only on proof that the applicant's resources were otherwise inadequate for his maintenance and that of his family.

(*b*) That the amount of the payment must be less than wages.

(*c*) That the need of the applicant must be judged by an assessment of the resources of the household of which he is a member.

It is reasonable to hold that if, for purposes of claim, the applicant is entitled to be regarded as more than an individual,

[1] Cmd. 4185/1932.

then for purposes of reckoning means his normal situation in relation to his group should not be left out of view.[1]

But considerable difficulty arises when it is sought to define the group whose resources should be taken into account. The Commission came to the conclusion that any rigid definition must result in hardship to the individual claimant, since household circumstances vary so greatly that no general set of rules designed to cover all could be free from serious anomalies. So that while it was possible and right that general principles be laid down by a national authority, the application of these to the individual's claim must be a matter of discretion. The consideration of the proper authority to exercise this discretion led them to the recommendation that it should be entrusted to the Local Authority. Much, they argued, could be said for giving this work to the Employment Exchange. Such a scheme would have the advantage of bringing all matters in connection with the able-bodied unemployed under one authority; it would put the very delicate task of assessing needs in the hands of nominated officials, instead of into those of elected bodies, and would in this way prevent the competition in scales of relief between political parties; and it would very effectively show that the able-bodied were removed from the scope of the Poor Law. But at the same time the work thus imposed on the Exchanges would distract them from their most important task of acting as placing agencies, and might cause them to be looked upon by the public mainly as relieving bodies. This would deter employers even more than at present from notifying their labour wants to the Exchanges, and increase the great difficulties the Exchanges already experience in bringing together the jobs and the men needing them.

The Local Authorities, on the other hand, were already trained in just this task of enquiry, and it would be much less expensive to extend the field of their work than to establish a new organisation for the purpose. This discussion led the Commission to lay down a fourth principle:

[1] Royal Commission on Unemployment Insurance Report, p. 132.

(*d*) that the payment must be at the discretion of an Authority acting locally other than the Employment Exchange.

They argued further that no reasonable case could be made for discriminating between different categories of the able-bodied unemployed. In consequence of the many alterations that had been introduced into the Insurance System and principally as a result of the "transitional provisions" for receipt of benefit, a distinction had emerged between the treatment given to those who had once been in an insurable occupation and could prove that they had a reasonable chance of being so employed again, and those who had never been in this category. The first received "transitional benefit" from the Employment Exchange, out of funds provided by national taxation. The second received Poor relief from the Public Assistance Authority, from money raised mainly locally. It may seem at first sight that the difference between these two is slight, except for the financial reactions of the methods of raising the funds. But in fact, the difference from the point of view of the applicant is very great; and this difference is well illustrated by a very interesting investigation which was made for the Royal Commission.

An enquiry [1] was carried out into the subsequent history of over 2,000 persons, scattered over eight big industrial areas, whose claims to unemployment benefit had been disallowed. The majority of the men and the married women had been refused benefit either for failure to show the requisite number of contributions on their cards, or because they could not prove that they were normally employed in an insurable occupation. Of the unmarried women and the juveniles, the largest proportion had left their jobs voluntarily, or had failed to apply for, or else to accept, work that the Exchange considered suitable. The aim of the investigation was to discover how people supported themselves when they were no longer able to draw benefit. Did it induce them to find work more quickly? Did they apply for Public Assistance? Or for charitable

[1] Appendix XXII, Minutes of Evidence.

help? Could they rely on relatives or friends to support them?

The general result of this enquiry was to show that about one in three managed to find jobs for part, or the whole, of the period; but this average hides big differences, 31·8 per cent of the men, 18·7 per cent of the married women, 43·9 per cent of the single women and widows, 47·5 per cent of the juveniles. Few, however, of these jobs could be considered as permanent. In the main, the work obtained was of a low grade, and serves to show simply that in the scramble for more or less casual jobs, those who have no benefit get a share. But none of the investigators found that lack of benefit was needed as an additional spur to men to get this kind of work.

The most interesting, and most important, fact that emerges from this enquiry, is the smallness of the number who had recourse to poor relief. Only 17 per cent of the whole number (29 per cent of males and 4 per cent of females) were in receipt of Public Assistance. The percentage was naturally not the same everywhere. It varied from 3 per cent in Southampton to as much as 33 per cent in Liverpool. The variation is not to be accounted for by differences in the laxity of the authorities. Liverpool, which is a strict authority, had the highest percentage; London, which is the opposite, had only 10 per cent. The disparity can be accounted for, partly, by the length of time the district had been suffering from depression. Where it had been prolonged the unemployed were nearer to destitution; they had used up their own savings, they had sold whatever of value they possessed; their relations and friends were too poverty-stricken to help. A secondary reason might be found in the state of local sentiment towards the Poor Law. In those areas where men had been workless for years, long-continued privation had sometimes combined with the trend of local politics to break down the dislike of poor relief and to make resort to it accepted as the obvious alternative to unemployment benefit.

But in general the reports bear witness to the intense fear and dislike of the Poor Law that is still felt.

Out-relief to-day carries no legal stigma, but, none the less, the investigators found in the course of their house visits many cases in which privation, amounting to destitution, was being endured rather than apply to the Relieving Officer. Indeed it is one of the lessons of this Enquiry that, in the minds of the people, there is still a sharp distinction between the other social services, whether contributory or not which give relief, and the Poor Law, which is the oldest and most basic of those services. The century-old dislike still lingers, even though, in the light of modern conditions, it is unfounded. The fact that the administration of the Poor Law has recently passed into new hands does not seem to have affected these sentiments.[1]

It is not true, in the majority of cases, that the Poor Law is considered as the natural and immediate alternative to benefit. On the contrary, it is almost universally the last resort, the degrading necessity, when all other means have failed.[2]

Certainly in some of the districts Poor Relief is regarded as a last resource, and our investigators found cases of disallowed persons in real need, who would not apply for Public Assistance, regarding it as a disgraceful expedient.[3]

There is still considerable reluctance to apply to the Public Assistance Authority.[4]

How then did these people live? Many did as they had done before the days of unemployment insurance—family resources were pooled; neighbours helped a little; quite often landladies were found to be supporting their lodgers by allowing them to share in the meals. But while this is a tribute to the neighbourliness and generosity of the poor to the poor, it has its dark side.

All the reports [said Mr. Davison in his general survey], bring out the fact that the burden of maintaining the disallowed person was, in greater or less degree, usually a cause of hardship to others. Often the subsidy had to come out of the earnings of a casual worker or out of the benefit drawn by some other wage earner in the house. In this way the burden was not removed; it was only spread.[5]

The welfare of other members of the family, often enough

[1] General Report by Mr. R. C. Davison, Appendices, p. 112.
[2] J. Cunnison, Report on Glasgow, *ibid.*, p. 133.
[3] Harold Wright, Report on London, *ibid.* p. 157.
[4] Henry A. Mess, Report on Tyneside, *ibid.*, p. 197.
[5] General Report by Mr. R. C. Davison, p. 112.

the strength of the young, growing members, was sacrificed on the altar of family pride and self-respect.

It is here that the fundamental difference between transitional benefit and Poor Relief appears, though in essence both are the same. Transitional payment seems to the applicant no different from insurance payment. He can apply for it and accept it with no loss of dignity or status. Poor Relief, however irrationally in modern conditions, carries with it a stigma and a loss of self-respect.

No reason could be found why a man who had once been in an insurable occupation should have greater facility and ease in obtaining maintenance from public funds than an agricultural labourer, or an outworker, or a domestic servant who had never had an opportunity to be insured. The Majority Report recommended that this false distinction be abolished. They proposed that the new arrangements "should cover all properly qualified workers, irrespective of their insurance experience." [1] The need for the exercise of discretion inclined them to favour putting this new scheme in the hands of the Local Authority. At the same time it was necessary to distinguish it from the work the Authorities already did in the relief of destitution caused by other than industrial factors. To this end, they suggested the formation by each Local Authority of a special Unemployment Assistance Committee, to deal with all able-bodied industrial unemployed workers whose unemployment was not covered by the provisions of the Insurance scheme. Very close contact between this Committee and the local Employment Exchange would have to be maintained. It would be the function of the Unemployment Assistance Committee to investigate the means of the applicant and to assess the amount of the payment to be made to him. The work of placing him in employment would rest with the Exchange at which the applicant would be compelled to register. And the central supervising authority would be not the Ministry of Health but the Ministry of Labour.

Much important criticism was directed against this part

[1] Report, p. 278.

of the recommendations by the Minority Report. It was pointed out that to call a Committee by a new name would not alter either the mentality of its personnel or the attitude of the public towards it. Even a special Unemployment Assistance Committee, dealing only with the able-bodied, would yet consist of administrators who had gained their experience and formed their mental conceptions in their work in Public Assistance. Their outlook would still remain deterrent; and it seemed likely that much of the stigma attaching to the Poor Law would be perpetuated, however unreasonably, in the new service. If, however, the Local Authority established a completely new committee with its own staff and offices and with a personnel quite distinct from the Public Assistance body, a great deal of extravagant and unnecessary duplication of services would result.

The right course to pursue, according to the Minority Commissioners, was to make the relief of the unemployed definitely into a national service. This view was also expressed by several important witnesses. Dr. Mess, for example, in pointing out the disadvantages of local administration, said,

> It is very difficult for popularly-elected administrators in a small area to be judicial and to resist personal influences, especially when a considerable proportion of the electors are, or may be, beneficiaries. In the most depressed areas, the pressure of public opinion is almost inevitably in the direction of laxity.[1]

Mrs. Sidney Webb, again, said,

> If the provision for the Unemployed were handed over to the Public Assistance Authorities as a new duty outside the Poor Law, perhaps under new Committees, these Authorities would either have to start new institutions and engage new staffs of officials, distinct from the present workhouses and Poor Law Staffs—which would destroy all the supposed economy of the plan—or else employ in place of the present Employment Exchanges, the existing Relieving Officers and Workhouse Masters on this new work, with the inevitable result that these would bring to it the Poor Law attitude of mind, the Poor Law

[1] Memorandum of Dr. H. A. Mess, Director of Tyneside Council of Social Service, Appendices, p. 550.

training and the Poor Law technique. They would be unable to refrain from attempting, as one section of the electorate would press them to do, to " deter " the unemployed from applying for benefit, by making it as disagreeable and as humiliating as possible.[1]

The Minority suggested then that if an enquiry into means was considered necessary it should be undertaken by the Employment Exchanges. The Exchange is already bound to interview the applicant for work two or three times a week, and individual contact with him is therefore well-established. An addition to its staff could easily enable it to carry out this extra work.

The Unemployment Act, 1934, in the main followed the recommendations of the Majority Report, though with certain important alterations. The Act was divided into two parts. The first provided for the continuation of the insurance system, with benefits for a strictly limited period of time. A compromise was reached between the original " ratio " principle of reckoning benefit and the system introduced as a result of the Blanesburgh Report. An applicant must have paid at least thirty contributions in order to become entitled to benefit, and might then receive a maximum of 156 days' benefit in any one year. Over and above this, however, he might claim additional benefit provided he had been insured for at least five years, at the rate of three days' benefit for every five contributions, less one day of benefit for every five days of benefit paid in the last five years. The aim of this somewhat complicated arrangement was to ensure that the man who had been in regular employment, and had therefore drawn little from the fund, should be able to continue drawing benefit for a longer period than those whose employment had been intermittent and who had thus drawn heavily in previous years.

The important innovations were two. First, the age of entry into insurance was lowered to the school-leaving age. Second there was established the Unemployment Insurance Statutory Committee to give advice and assistance

[1] Minutes of Evidence, p. 1323.

to the Minister with regard to the performance of his functions under the Unemployment Insurance Acts. As has been shown, the many changes in the insurance system had been introduced in consequence of financial or political exigencies rather than with any appreciation of the principles involved. If the solvency of the scheme was to be maintained it was necessary to remove it from the cockpit of political controversy. The Unemployment Insurance Statutory Committee was therefore charged with the duty of guarding the finances of the scheme. It is required to make an annual report of the financial position of the Unemployment Fund. If at any time it considers that the Fund is likely to be insufficient to discharge its liabilities, the committee must call the attention of the Minister to this fact, and make recommendations as to the alterations that are required in order to ensure solvency. Any change in the scheme remains, of course, a matter for Parliament to decide, but the Minister is bound to lay the recommendations of the committee before the House for their decision.

Part II was based on three general principles:

(1) That the State should accept general responsibility for all the industrial able-bodied unemployed outside insurance, within the limits of a practical definition.

(2) That the assistance given should be proportionate to need.

(3) That the worker who has been long unemployed may require other help in addition to cash payments.

On the vexed question as to whether the new service should be administered by the Local Authority through Unemployment Assistance Committees (as advocated by the Majority Report) or by the Employment Exchanges (as proposed by the Minority), the Government replied, as it were, "A plague on both your houses," and advanced a solution of its own. As Sir Henry Betterton pointed out in moving the Second Reading, the hatred of the Poor Law was due largely to the dislike a man feels at being forced to make a full disclosure of his intimate family circumstances and personal failings to a body composed of his neighbours, and possibly of his friends. He has a

vague, perhaps unjustifiable, apprehension that gossip as to his affairs may get round the neighbourhood. To create a new committee of the Local Authority would not get over this difficulty. On the other hand, to give this work to the Employment Exchanges would be to bring discretionary payments into the arena of national politics. The Exchange officials would be acting on behalf of the Minister of Labour who would be held responsible and might be called to account in Parliament for the amount of payment in individual cases. Such a position would be intolerable.

Yet to hand over the administration of a discretionary service to a completely independent central body would be equally difficult to justify. Parliament cannot be asked to provide large sums of money to be administered by persons not under its control. The only remaining alternative was to create a body which would use its discretion in individual cases but over whose general policy Parliament kept the right of supervision and guidance. This was the course followed in the Act. An Unemployment Assistance Board, with members appointed by the Crown, was brought into being, to take charge of all the able-bodied unemployed outside the insurance scheme, whose normal occupation is one in respect of which contributions are payable under the Widows' Orphans' and Old Age Contributory Pensions Acts. (This gives the widest possible definition of employees.) It becomes the duty of the Board to administer the Act in accordance with regulations submitted to and approved by the Minister of Labour. It has the right to appoint its own officials, to carry out its work in the different districts, and to arrange for the establishment of local advisory committees in order to secure the advice of persons having local knowledge and experience in matters affecting its functions. Its work is to assess the needs of an applicant, and to pay him an allowance in accordance with them, out of the Unemployment Assistance Fund. This fund is to be provided from national revenue, but with contributions from the Local Authority, on the ground that the latter will no longer have to defray the cost of out-

relief of the able-bodied which had been taken into account in estimating the size of the Government grant to local revenues.

In order that the applicant be given an opportunity of becoming fit for entry into or return to regular employment, the allowance made him may include provision of courses of instruction and training. If the applicant refuses to accept such training he may appeal to a tribunal to be allowed to receive his payment without attending the course. But if the appeal goes against him, he may be listed as a case of " special difficulty " to whom an allowance may be granted only on condition that he attends a special work centre.[1]

Thus this Act sees the logical culmination of the policy which began with the issue of the Chamberlain Circular in 1886. The employable industrial worker is taken away from the Poor Law and the whole conception of the duty of the State to him greatly widened. How rapidly public opinion on this matter has changed during the present century can be realised when we find *The Observer*, an organ which would never be suspected of voicing other than the orthodox middle-class views, speaking of it in these terms.

> The Unemployment Act 1934 comes into operation, and the poison that the Poor Law Amendment Act 1834 injected into our national life is finally expurgated. No centenary that we may celebrate in the coming year is comparable with this moral advancement . . . the stigma of the New Poor Law—whatever alleviations have been introduced into its application—has never disappeared, nor the bitterness with which the unfortunate were made to recognise themselves as the refuse of industry. The Act that comes into force to-morrow gives the evil spirit its final exorcism. By its recognition of family rights, its elasticity of treatment, and its fostering of crippled capacity, it is a signal vindication of common citizenship and national fraternity.[2]

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[1] The Unemployment Assistance Board has already taken over its duties with regard to insured workers who have exhausted their right to benefit. But as yet (Jan. 1936) the " appointed day " on which those who have never been in insured trades come under their jurisdiction has not been fixed.

[2] *The Observer*, Leading Article, January 6, 1935.

Whilst this Act finally recognises the existence of non-personal and uncontrollable factors in a man's economic position, it does not solve all the problems connected with his maintenance. In fact, it may turn out that certain of these problems are incapable of complete solution without a more radical reorganisation of the productive system than any country has yet been able to undertake. It was one of the principal difficulties with which Poor Law authorities had to cope, that relief had to accord with the principle of "less eligibility"; that is to say, the position of the person on relief had to be less attractive than that of the lowest paid labourer who maintained his independence. But so appallingly bad were the conditions of the lowest grade labourers that relief, if it were "less eligible," became also definitely demoralising in its effects. A similar problem confronts the Unemployment Assistance Board. True, the twentieth century has seen a distinct rise in the proportion of the wage-earners who are to be found in the groups with higher earnings; but there still remain many occupations the wages in which, particularly during a depression, are insufficient to provide an adequate physical maintenance. The Regulations issued by the Board contain the proviso that the allowance shall not exceed normal earnings, although it is admitted that this may be overridden in extreme cases by the statutory duty to provide for the "needs" of the household. Much depends on the interpretation of "normal." It is wisely accepted that any system which made it as economically advantageous to be idle as to work would be fatal. This is no general indictment of the working class.

It is doubtless true that the great majority of workmen for the greater part of the time, much prefer to be at work to being unoccupied and idle. But most men in their weaker moments—and probably all men at some time—succumb to the temptation to be indolent.[1]

It may rightly be argued that a social gain is achieved by the pressure of a service which by offering better maintenance

[1] Royal Commission on Unemployment Insurance, Mrs. Sidney Webb's Memorandum. Minutes of Evidence, p. 1321.

to the workers, forces up wages which are insufficient to allow the minimum standard of living demanded by a civilised community. But it cannot be concluded from this that the allowance must be such as to provide a comparable standard of living with that afforded by general wages. Not only—or even principally—must the effect on the morale of the unemployed be considered—his readiness to remain out of work, his relative eagerness to learn a new job, and so on: more important are the wider, less direct effects on the rest of the community.

In the preface to the 1930 edition of the work on unemployment, which was originally published in 1909, Sir William Beveridge was able to claim that his main arguments had stood the test of time. But there was one particular in which his earlier analysis needed to be supplemented—the relationship between the volume of unemployment and rates of wages. When the first edition was published, collective bargaining of wages was in operation over only a comparatively small portion of the industrial field. When trade was bad and unemployment figures were increasing, wages fell rapidly. Even in the organised trades it was impossible to maintain wage levels during depression. The expert trade union negotiator realised that if he bent his energies on keeping wages up, he would be threatened from two sides. If the trade was not highly skilled the unemployed from other occupations would endeavour to undercut his members. If the skill required was of too high a grade for this to be likely, then the unemployed persons in the trade itself, starving on their inadequate trade union benefit, would find their loyalty overstrained. And the trade union itself would feel the financial burden of having a large part of its membership "on the books." The post-War period presents a very different picture. Not only do the well-organised trade unions cover a much larger proportion of wage-earners, but Trade Boards have introduced the same or even greater stability into the wages of the unorganised. Moreover, wage negotiators now find their hands immensely strengthened by the insurance system. With the knowledge they

possess that their members will be maintained out of non-union funds, they can stand for a higher wage even if they know it will result in a larger amount of unemployment. They may argue that it is better for 90 per cent to maintain their standards and 10 per cent be out of a job than for 98 per cent (say) to be employed at low wages. There is thus in modern industry a much greater degree of rigidity than there used to be, a characteristic which is without doubt a contributory factor in the slowness with which industrial structure is adjusting itself to post-War needs.

Now there is nothing particularly sacrosanct about any wage level. Wages are simply one part of the general price mechanism. From the point of view of the worker his wage is, of course, the basis of his standard of living. But the part it plays in economic structure is that of a finger-post directing the supplies of labour into those avenues where they are most required. An unemployment allowance which is too near to normal wages prevents this economic function from being exercised. Stagnant pools of labour remain in industries where they are not wanted, because the artificial bolstering of the wage-rates reduces the pressure that would otherwise be felt to get out and find some more remunerative occupation.

And yet on the other hand if the allowance which is paid is appreciably below the average level of wages it does not provide an adequate subsistence for the maintenance of health and efficiency. The British Medical Association calculated in 1933 the cost of a minimum scale of diet required by a family of man, wife and three children, as £1 2*s*. 6*d*. This sum was considered necessary for food alone; rent, heating, lighting, insurances, clothing, fares, household necessities have still to be taken into account in reckoning the minimum sum needed for the subsistence of such a family.

It is very often contended that this dilemma is a product of capitalist civilisation and would disappear if a socialist economy were in operation. This is a fallacy, unless the socialist society included a degree of control over the movements of its individual citizens which has rarely been

advocated by socialist thinkers, and which is not found in practice in socialist experiments. If the organised community had complete authority over its citizens it could determine, in accordance with its plans, the number it needed to train for this job and that, and command them, on pain of death or imprisonment or whatever other sanction it chose to apply, to carry out its wishes. Even so, its authority is limited. No power on earth can compel a stupid man to be intelligent, or a clumsy one to be a delicate artist. But such a State could, at least, have the power to force men to go to the districts in which it desired their presence and go through the gestures of performing the desired functions. Such power in the hands of the Government would constitute a complete slave society. If, however, such power were not the prerogative of the State, the means employed for getting people to *choose* to do the things required of them would necessarily be very similar to those in operation in Capitalism. That is to say, incentives in the shape of higher standards of living or shorter hours of working or more enjoyable conditions of employment or social prestige would need to be attached to the occupations in which more labour was needed; and lower standards and more disagreeable conditions attached to the trades which workers were to be persuaded to leave. And if the labour in one industry was redundant, no means could be found of persuading the superfluous workers to face the disagreeable necessity of changing their established routine, learning a new technique and attaching themselves to a different occupation, except that of making their position as unemployed maintained persons even less attractive.

The unfortunate conclusion is therefore reached that no complete solution is possible. The choice lies, whatever the social organisation, between the retention of a certain degree of personal freedom and a relatively inadequate subsistence for the unemployed on the one hand, and adequate maintenance and virtual slavery on the other.

CHAPTER VII

ACHIEVEMENTS AND POSSIBILITIES

I

In Chapter I it was pointed out that the dissatisfaction with contemporary social and economic organisation centred principally round the distribution of the national revenue. The existence at one and the same time of groups of persons living in luxurious idleness and whole classes of workers faced with chronic want, roused the community to devise means to provide for the redistribution of wealth, sufficient to ensure to the mass of the population a minimum of necessaries during the whole of their lives. It remains to estimate to what extent this policy has been successful in achieving its (often unconscious) aim, what has been its effect on the standard of living, and to attempt to discover the possibilities of the future.

The conception " the standard of living " is one that is incapable of precise definition. When we compare standards of living in different countries, or speak of standards in the same country being higher or lower from one time to another, we have a fairly clear idea in our minds of what we mean. But to give to such comparisons any accurate quantitative form is practically impossible. The various commodities and services on which our income is expended change both in substance and in relative importance from one period to another, so that we cannot calculate a percentage change in standards by the simple device of discovering how much more or less of certain goods are consumed by a typical family in two sets of circumstances. A very large proportion of working-class families at the present time, for example, own a radio set and go regularly to the cinema. Neither of these amenities was enjoyed

by those in a similar class forty years ago, not because the earlier generation was too poor to pay for them, but because even Midas could not command amenities which were not in existence. That the opportunity to enjoy these recreations is now open to the vast majority, must undoubtedly be counted as one element in a higher standard of living, irrespective of one's view as to their æsthetic or cultural value. Yet it would not be possible to represent it numerically.

A greater degree of success can be hoped for if the comparison is given a much narrower scope, and attention is concentrated on those basic commodities, an adequate supply of which is deemed essential to the maintenance of a healthy existence. The task of calculating the minimum quantity of food, clothing and shelter required by individuals of varying ages and sexes, and of constructing from this data the income that would be necessary to provide a family of a certain size with the bare necessaries of life, is difficult, but does not present insuperable obstacles. It is in this way that the " poverty line " of the various investigations into social conditions is drawn. A comparison between, on the one hand, the actual income earned in relation to the number in the family to be maintained out of it, and, on the other, the scientifically-calculated necessary income, gives some indication of the number of families whose resources are such that the bare essentials cannot be obtained by them.

But even this is not as accurate as at first sight it seems. Our ideas concerning the " necessaries of life " are not static. Articles of food, or house accommodation, which to one generation appear as luxuries, are accepted by a succeeding one as necessary to a bare but healthy physical existence. Our interpretation of " necessity," particularly with regard to clothing, house room, fuel and light, is largely conventional. The minimum food, clothing and housing requirements of a Japanese worker would be considered as inadequate to the maintenance of life in England. And a poverty line must therefore be drawn in some relation to the standards of consumption of the period and

country. Even so, the difficulty still remains of effecting a compromise between strict realism and scientific abstraction. In the compilation of the "poverty line" income it has to be assumed that all the income is equally available for all members of the family, earning and non-earning. Moreover, it is equally assumed that the income is spent entirely on necessaries, and that the housewife is not only conversant with food values, but has the opportunity to buy exactly what she wants at the cheapest prices, and, even more important, is a sufficiently skilled cook to preserve and enhance the value of what she buys. None of these assumptions is, in fact, warrantable. It is rarely that the entire earnings of the family are handed over to the housewife; an amount, varying in size, is almost invariably retained by the earner for his personal use, and it will depend on his knowledge and temperament as to whether this is spent on "necessaries" or not. Nor is it likely that the housewife makes the best of what she gets. Few people in any class of society have much understanding of food values; they eat largely according to habit and taste. The very poor housewife can be presumed to have less than average knowledge in these matters, and she has neither the training nor the necessary utensils to make appetising and nourishing meals. The natural tendency is to get what is immediately satisfying and filling rather than what is of the highest ultimate dietetic value. Moreover it is expecting too much of human nature to assume that nothing at all will be spent on the small comforts and amenities of life—a packet of cigarettes, a newspaper, a bus ride, a visit to the cinema, and so on. So that it is quite possible for a family to be in possession of the necessary minimum income and yet to be in poverty in actual fact.

Yet the compilation of the "poverty line," despite its arbitrary character, has very definite value. It makes it possible to gain some indication of the changes that have taken place over a period of time in the extent of primary poverty. Provided that the period of time with which the comparison is concerned is not too prolonged, so that

customs and manners have not altered too radically, the calculation of the proportions of a given population falling above or below the "poverty line," gives some idea of the trends in social development. Care must, of course, be taken to ensure that the circumstances of the two periods are comparable. An investigation made during the height of a trade boom would naturally show a smaller percentage in poverty than a similar enquiry undertaken during depression, and allowance must be made for this before assessing secular trends.

Unfortunately very little data exists for comparing the extent of poverty to-day with that before the development of the social services that have been described in earlier chapters. In only two instances do we possess information with regard to conditions in the same district at two different dates. The New Survey of London Life and Labour [1] based on material obtained during the years 1928–30 enables a comparison to be drawn between the conditions of the working population of London at present and those of the late 'eighties when they were first investigated by Charles Booth. And a study,[2] very much narrower in scope, into the economic conditions of working-class households in Northampton, Warrington, Reading, Stanley and Bolton, was made in 1913 and again in 1924. Important and valuable as are these two comparative enquiries, it would be unwise to assume that the situation they portray is an accurate representation of movements that have taken place equally over the whole country. In London, the percentage of unemployed males in 1929 was only 6·4 when the average for Great Britain was 11·8. In the Five Towns Enquiry the unemployment position was more typical of the country. The general average was then 11·1 per cent, and that in the Five Towns taken together, and excluding Stanley, which is entirely dependent on coal mining, was 9·6 per cent. But the second investigation was made when the serious depression had existed for only a few years. The

[1] *New Survey of London Life and Labour*, edited by Sir H. Ll. Smith.
[2] *Livelihood and Poverty*, by A. L. Bowley, 1913; *Has Poverty Diminished?* by A. L. Bowley and M. H. Hogg, 1925.

London and the Five Towns Enquiries, therefore, give an excellent indication of the extent to which social services are effective in maintaining standards when no excessive or unduly prolonged strain is put on them. They do not help in showing the effect on poverty when unemployment is chronic or exceptional in amount.

The only other statistical investigations that have been made were both into areas that have suffered badly in the post-War period, since both are largely dependent on ship building and shipping—the Merseyside [1] and Southampton,[2] but in neither case do we possess adequate early data with which to make comparison.

Both the London and the Five Towns Enquiries show a very substantial reduction in the extent of primary poverty. In both instances a twofold calculation was made: first, the percentage in poverty assuming that the wage-earner was receiving his full week's wages at the rate he normally earned; second, the proportion in poverty taking the actual earnings of the week of the investigation as the income on which the household had to support itself. As in both the Survey areas, the number unemployed, though below the average for the country, was considerable, the second method shows a larger percentage in poverty than the first. But this double calculation serves to bring out very clearly one important fact, that is, that to a quite remarkable extent the influence of low wages as a cause of poverty has disappeared. This desirable result has been brought about by a number of factors, and it is not possible to say to what extent each of them has been responsible. It is in part due to the increase in material productivity—the country is richer than it used to be. But this by itself would not necessarily have reduced the number in poverty, had there not been at work certain forces whose influence has been to give a larger proportion of this increase to the lowest economic grades than to the better paid workers. The spread of trade union organisation amongst the semi-skilled has extended to this class the economic

[1] *Survey of Merseyside* (3 vols.).
[2] P. Ford, *Work and Wealth in a Modern Port.*

bargaining power which was previously the exclusive privilege of the members of skilled crafts. More important, the establishment of Trade Boards has pushed up and maintained the wages of those unorganised workers who formerly comprised the least protected and worst-paid of all categories. And lastly, the effect of the War was to cause a disproportionate rise in the wage-rates of unskilled labourers. The rapid rise in the prices of necessities led to increases in money wages which usually took the form of a " cost-of-living " bonus at a flat rate. This, of course, represented a higher percentage rise to the lower-paid unskilled than it did to the skilled. The rapid breaking down of craft barriers owing to changed technique, and the extreme shortage of semi-skilled and unskilled labour, tended to stabilise the new relationship between skilled and unskilled wages thus brought into existence. The average rise in the wages of the skilled between 1914 and 1928 was only 82 per cent of that of the unskilled. This is a very wide generalisation and must be used with caution. The movement in wages is not identical in all trades ; those which are more subject to foreign competition, or which are more dependent on world markets, do not show the same rate of advance as those which have a more sheltered position. Whatever the precise relation between skilled and unskilled wage-rates, there is no doubt that the latter show a real rise during the present century and particularly since the War. The Five Towns Enquiry showed that in the ten years between their two investigations (1913 to 1924) the weekly wages of unskilled men had approximately doubled, while the cost of the minimum standard (the "poverty line ") had risen by only 70 per cent. The London Survey shows that between 1890 and 1928 the rise in unskilled " real " wages (i.e. taking account of changes in values) was about 28 per cent. As it was amongst the families of unskilled labourers that naturally a large number of those below the " poverty line " were to be found, the rise in real wages has had the effect of lifting them out of the group in primary poverty. The authors of the Five Towns Enquiry recall that in their earlier report they expressed the opinion that

" to raise the wages of the worst-paid workers is the most pressing social task with which the country is confronted to-day," and add: " It has needed a war to do it, but that task has been accomplished, so far as rates of wages are concerned." [1] The London Survey strikes the same note:

> Low wages in Charles Booth's survey appear to have been a major cause of poverty. Now it only accounts for the men who are unable to obtain the wage for unskilled labour that is usual in the great part of the area. Of the persons found to be in poverty in the week of the investigation, less than one in five owed their privation to the insufficiency of the wages of the head of the family, and in most of these cases the wage would have been sufficient for a family with not more than three children.[2]

Moreover, hours of work have, particularly since the War, been materially reduced, and the worker gets his higher wages for an hour's less work. It must also be remembered that the increased wages can actually be spent on the necessities of the moment with greater equanimity than they could in Booth's day. There is not the same urgency for the family to try and squeeze out a few pence to save for an emergency since they have the knowledge that if earnings fail, other resources in the form of social insurance benefits, can be relied on. In addition the reduction in the birth rate has meant that a smaller number of persons have to be maintained out of the wage.

In 1890 the percentage of persons in London working-class families containing schoolchildren, who were living in poverty, was 37·3. In 1929 the percentage was 5·1,[3] assuming full-time was being worked, and 10·7 in the actual week of investigation. In the Five Towns Enquiry the percentage of working-class families in poverty in 1913, assuming full time wages to be earned, was 11; in 1924, making the same assumption, it was 3·6. But in the actual week of investigation, that is, allowing for unemployment and short time, it was 6·5. There is here therefore very

[1] Bowley and Hogg, *Has Poverty Diminished?* p. 20.
[2] *New Survey of London Life and Labour*, Vol. III, p. 22.
[3] *New Survey*, Vol. VI, p. 87.

definite cause for satisfaction. Matters have so far improved that, granted that the head of the family can get work, his earnings, even in low-grade occupations, enable him to maintain a medium-sized family in such a way as to provide them with the minimum requirements necessary for health. This is not to say that the standard is adequate. It has already been pointed out that unwarrantable assumptions are perforce made in composing the "poverty line." The minimum income allows for only the barest necessaries and presupposes pooling of incomes and adequate knowledge to ensure wise expenditure. It makes no provision for any of those types of expenditure which sweeten life and enable the individual to begin to play his part as a member of a civilised society. Many of those who are living just above the "poverty line" are necessarily living lives which are harried and sordid and stunted. Nevertheless, the fact that so large a proportion have been lifted out of primary poverty is some indication of the improvement in material conditions of the working population which has taken place.

Attention must next be concentrated on discovering why 5·1 per cent in London and 3·6 per cent in the Five Towns are to be found in poverty even if full time earnings are assumed. Apart from low wages, one of the principal causes of poverty in the 'nineties was found to be old age. How far is this still the case? Owing to the fall in the birth-rate and the longer expectation of life, the age composition of the population has undergone radical changes in the last forty years. The number over 65 years of age in London was 73 per 1,000 in 1931 as compared with 40 at the time of Booth's Survey. The greater speed and strain of modern work, together with the prolonged depression, have made it more difficult for old people to retain their jobs, or to get reabsorbed if once turned off work. Yet despite these facts the incidence of poverty due to old age has undergone a serious reduction. Far from being a major cause of poverty, the New London Survey estimates that in their area only 7 per cent of those falling below the "poverty line" could ascribe their position to old

age. In 1894, the date of Booth's Survey, 37½ per cent of those over 65 were in receipt of Poor Relief, 60 per cent of the total being in institutions and the remainder receiving domiciliary relief. In 1931 of the much larger number of aged persons, only 13·7 per cent were receiving poor relief, and of these only 30 per cent were in institutions. The change in the situation is accounted for by the granting of the non-contributory old age pension starting in 1908 and the establishment of the contributory old age pension in 1925. The small proportion who are still to be found in the workhouses are there because they are too ill, weak or senile to be able to take care of themselves, even with funds at their disposal, and are unable to find relatives or friends who are prepared to take care of them. But the majority of the aged live in their own homes, sometimes quite alone, sometimes, as in the case of a husband over 70 and a younger wife, with a dependant, sometimes two pensioners together (generally a married couple), sometimes with a married son or daughter and their family. The adequacy of the old age pension to lift the recipient above the poverty line depends on the particular category of those enumerated in which the pensioner is to be found. The wants of old age in respect both of food and clothing, are less than those of the working individual, though the need for fuel is probably greater. All the evidence goes to show that the pension of 10*s*. a week is sufficient for bare necessities if two pensioners live together. It is totally inadequate if the old pensioner lives alone, since the rent of a room and the cost of fuel are almost as much for one as for two, and of course, even more so when the husband is a pensioner and too old to work, but his wife is not yet of an age to qualify for her own pension. In such cases it is still essential to supplement the pension with poor relief. Where the pensioner lives with a family he is rarely in poverty unless the family itself is overtaken by misfortune. But he is then partially dependent upon their income. His pension, if not sufficient to cover completely the cost of his maintenance, makes a welcome contribution to the family resources, and enables him to feel that he is

not too heavy a burden on their charity. The London Survey shows that 46 per cent of those living alone are found to be below the "poverty line" as compared with 30 per cent of the old couples and 10 per cent of those living in families.[1] Even although old age is no longer a principal contributing factor in poverty the lives of the aged are generally dull, monotonous and narrow. Those living in families are still kept in contact with life and have the interest and stimulus that come from having younger people around them and hearing talk of the active world. But for many of the others life has few attractions. In the institutions the food is usually good and plentiful, the dormitories and day-rooms clean, well-kept and moderately comfortable, and a large degree of liberty to come and go is allowed to the inmates. But time hangs heavy on old people's hands and the constant presence of so many other old men and women tends to lead to irritability and to exaggerate individual eccentricities. For those living alone or in couples, there is constant difficulty in making ends meet, when there is no surplus at all for even tiny, frugal comforts. The women have housework and cooking to occupy part of their day, the men find it more difficult to fill up the time. Many of these old people have forgotten how to read, if they ever knew. Many have failing sight and cannot get hold of books and papers with sufficiently clear print. So that even for those who cannot be said to be in poverty, life is narrow and dull. Yet these are difficulties which cannot be relieved by legislation. One must look to voluntary effort rather than the State for the amelioration of such troubles. Their existence does not detract from the fact that the State has, to quite a big extent, reduced if not completely abolished the poverty due to old age, and that an increased pension adequate to the needs of the person living alone, could abolish it completely.

Apart from old age, the greater part of the poverty still existing when those capable of earning are receiving full time wages, is to be found amongst the "Broken Families," i.e. families with no adult male wage earner. The majority

[1] *New Survey*, Vol. III, p. 197.

of these are composed of widows or deserted wives with their children, or unmarried women living alone or with younger brothers and sisters or with friends. The death or permanent disablement of the natural head of the family almost invariably leads to a lowering of the standard of living of the family. But the effect varies according to the opportunities that exist in the locality for the industrial employment of women. In Stanley, for example, which is a coal-mining district offering few openings to women, the percentage of the families in poverty whose position could be attributed to the death or illness of the male head, was 53·2. In Bolton, on the other hand, which is a cotton district in which very large numbers of women are employed and where it is quite usual for married women to continue in their industrial occupation, the percentage was only 19·6. Both of these are, of course, exceptional. The majority of districts offer more opportunities to women to earn than do the coal-mining areas, but few have as many openings as the Lancashire cotton towns. And the death or disablement of the principal earner is an important factor in bringing the family below the poverty line. In the East End of London 43 per cent of all families in poverty are so for this reason; in Warrington 31 per cent; in Northampton 44 per cent. The Merseyside Survey calculated that excluding Public Assistance one in three of all "Broken Families" was below the "poverty line." [1]

The general conclusion to be drawn from these figures is clear and is brought out particularly well by the careful analysis of sources of income in the Merseyside Survey. It is that just as the social services fail to provide adequately for old people living alone on their old age pension, so they fail equally to make sufficient provision for widows or deserted wives who have young children to support. Such women have generally restricted opportunities for employment and even if they are able to manage to get work they receive wages which may be adequate to maintain a single individual but are certainly not sufficient to provide for the needs of a dependent family.

[1] See Chapter IV, pp. 180-1.

It has been shown that although both in London and the Five Towns the proportion of those in poverty has markedly decreased in comparison with that prevailing at the times of the earlier surveys, yet a very different picture of the present is obtained according as one includes the effect of unemployment or not. In the Five Towns in 1924, that is even before unemployment became chronic, the percentage in poverty was 3·6 assuming the head of the family to be in his usual employment, and 6·5 in the actual week of investigation—that is, taking the actual employment of the moment into account the percentage in poverty was almost doubled. In London which is one of the more fortunate areas from the employment point of view, the difference even in 1929, that is, before the world-depression began, was between 5·1 per cent and 10·7 per cent. In Merseyside and Southampton, where the unemployment has been a very much more serious problem, the percentages in poverty are considerably higher. In Merseyside 16 per cent [1] of working-class families, in Southampton between 20·6 per cent and 22·5 per cent [2] were below the " poverty line." The difference in the amount of poverty in these two similar areas is probably to be accounted for by the different dates of the two enquiries. The Merseyside figure is based on enquiries made in 1929, the Southampton one on an investigation in 1931 when the depression was at its worst. Between 1929 and 1931 the amount of unemployment in the latter area doubled, and it was calculated that if the number of families who were below the " poverty line " owing to unemployment in 1931 had been halved, the percentage of families in poverty would have been reduced to 15. These figures point to the conclusion that unemployment has now become a major cause of poverty.

That the proportion unemployed can show such a phenomenal increase over what it was at the end of last century, and that at the same time the number in poverty can show, even in the worst areas and at the worst time,

[1] *Survey of Merseyside*, Vol. I, p. 152.
[2] P. Ford, *Work and Wealth in a Modern Port*, p. 118.

such a considerable reduction, is due, of course, to the establishment of an Unemployment Insurance system. That the number in poverty varies still so greatly in accordance with the extent and duration of unemployment points to the limitations of this system. Unemployment insurance was designed to keep a family out of poverty during short intervals between earning. It has proved itself adequate to accomplish this end. It is quite possible for a family of even small means to reduce its expenses considerably for a short period, without excessive hardship. The buying of clothes, the renewal of household equipment, the enjoyment of little luxuries, can all be given up or curtailed when the family income is temporarily reduced, and unemployment benefit then proves sufficient to meet the necessary expenditure on bare essentials. But there is a limit to the postponement of purchases. Clothes wear out beyond repair, savings are exhausted, household goods are sold or pawned, and if unemployment still continues, insurance benefit alone, if no other member of the family is earning, becomes inadequate to supply even bare necessaries. The disparity between minimum needs and insurance benefit is greatest where the family comprises young children, and it is amongst these families in localities where unemployment has become chronic that the incidence of poverty due to unemployment is heaviest. A comparison made by the Merseyside Survey of the poverty line income and Insurance benefit for families of different sizes is interesting in this respect.[1]

Constitution of Family. MAN, WIFE, and	Survey Poverty Line.	Unemployment [2] Benefit.
1 Infant	27*s.* 7*d.*	28*s.* 0*d.*
1 Infant, 2 Schoolchildren . .	37*s.* 7*d.*	32*s.* 0*d.*
2 Infants, 3 Schoolchildren . .	46*s.* 2*d.*	36*s.* 0*d.*

The widening divergence between bare needs and income as the family grows in size, is here clearly brought out.

[1] *Survey of Merseyside*, Vol. I, p. 150.

[2] Since November 1935 the children's allowance has been increased by 1*s.*

One of the simplest and quickest ways of effecting a big reduction in the number falling below the "poverty line" would be to increase the children's allowances in unemployment benefit. A beginning has already been made in this direction in the Regulations governing Unemployment Assistance.[1] Here the children's allowances vary according to the age of the child from 3*s*. for an infant to 4*s*. 6*d*. for those between 11 and 14, and 6*s*. to those between 14 and 18 years of age.

A survey of the "poverty situation" at the present time thus shows a very different picture from that of 1890. The proportion of the working class in poverty has been very materially reduced. Low wages no longer play an appreciable part in causing poverty except amongst those whose employability is so far below the average that they cannot earn the normal wages for unskilled labour in the district. The poverty due to old age, illness and widowhood has been cut down by insurance and pensions, but there still remain large sections for which the provision made is inadequate. And chronic unemployment has emerged as the most serious menace to the maintenance of the family above the "poverty line."

II

The survey of socially provided income that has been given in previous chapters reveals a lack of any consistent policy or uniform method. Each specific threat to the precarious hold of a working-class family on its standard of living has been dealt with as a separate problem, and it was not until after the War that the method of social insurance became definitely established in public esteem as the one on which reliance should generally be placed. It is only to be expected, therefore, that the various schemes that have been evolved show many anomalies and deficiencies which are difficult, if not impossible, to justify, and that apart from the adequacy or inadequacy of the actual amount of income, the lack of any co-ordination in the schemes leaves certain needs totally unprovided for.

[1] Cmd. 4765/1934.

When Workmen's Compensation was first proposed, it was recognised that a different degree of responsibility rested on the employer for accidents to his workpeople due to his negligence or lack of foresight, than for those to which the name " Acts of God " could be given. Experience, however, dictated that they should be treated alike and the employer held financially liable for all accidents occurring as a consequence of industrial employment. This classing together of matters differing in origin could be justified when no alternative method of providing for the disabled had yet been evolved, and when it was still believed that the burden of this liability would induce those in control of industry to give greater attention to the prevention of accidents. Experience has proved, however, that the system has not had this desired effect,[1] and that it is not only exceedingly expensive in operation but fails to give adequate protection to those in whose interest it was designed. Insurance against liability frees an employer from any financial incentive to initiate or introduce safety measures, and despite the reduced charges consequent upon the investigation of 1924 the cost to industry is still excessive in comparison with the compensation received by the injured worker. Moreover, the worker has no guarantee of receiving anything at all. If the firm has failed to insure and is unable to meet its liabilities the worker has no more redress than any other creditor of the firm. The inclusion of a schedule of occupational diseases as liable for the payment of compensation has introduced further difficulties. It is often practically impossible to determine to what extent the sufferer from a disease owes his condition to the fact that he is engaged in a particular type of work, and whether he might not equally have succumbed in quite different industrial circumstances. The attempt to decide in these issues leads to endless litigation. If the disease is industrial in origin the victim will receive compensation from his employer, or more likely from the insurance company through which the employer has covered himself. If it is not, he can claim medical attention and sickness benefit

[1] See Chapter IV, pp. 148-9.

from his Approved Society under the National Health Insurance Scheme. While the argument between those potentially liable is being carried on he can claim nothing from either and although when the issue is decided the responsible organisation will pay arrears due to him, this does not adequately compensate him for the privations he has endured in the interval when he has been left without any income at all. A more comprehensive insurance scheme covering all sickness, disability and accident, whatever its origin, would overcome all these difficulties. If it was felt that the moral responsibility of the employer for accidents due to his negligence should be stressed, his contribution to the funds of the scheme might be increased to cover the average cost of accidents, particularly in the more dangerous trades. But such a comprehensive scheme would not only prevent the litigation and consequent lack of protection to the worker on the borderlines of the two systems at present in operation, but would also ensure that the maintenance of the standard of living of the sick or injured workman did not depend on the chance of his being employed by a solvent or insured employer.

The anomalies in the provision for old age can perhaps be more easily justified on the score of experience. The non-contributory old age pension introduced in 1908 had a double disadvantage, in that it involved a means test and that it did not begin to operate until the age of 70 had been reached. There is no doubt that in many occupations the man of 65 to 70 is well able to earn his own living, but in all trades involving muscular strength or physical endurance the old man is at a serious disadvantage. And the unemployment statistics of the last decade show clearly that, particularly in periods of slack trade, the elderly man who loses his job finds it practically impossible to be re-absorbed into wage-earning. Yet to grant a pension at an earlier age, particularly in view of the changing age composition of the population resulting from the reduced birth-rate, involves a very heavy additional burden on national revenue. Similarly the means test, which requires an objectionable investigation into present circumstances

and tending as it does to penalise thrift, is impossible to obviate except by giving pensions as of right to everybody at a certain age. Such expenditure would be not only burdensome, but difficult to justify.[1] A good way out of this dilemma was found in the contributory old age pension scheme begun in 1925. By joining it on to the Health Insurance system the boundaries of the classes benefiting were easily drawn, and the workers own contributions to the fund from which it was paid, by giving it the form of insurance, freed it at once both from the necessity for a means test and from any taint of pauperism. To make the State pension, to which the beneficiary has not specifically contributed, follow as of right when the insured pension terminated (at the age of 70) was to take advantage of the delimitation already effected by the previous period of insurance. It enables the non-contributory pension to be given without penalising thrift to those classes for whom it is primarily intended and therefore without the need for any enquiry into means. Yet whilst the balance of advantage is very largely on its side, it must yet be realised that it involves certain social injustice. There are a host of persons, unmarried women, who have not been regularly employed, small shopkeepers, costermongers, jobbing gardeners, shoe repairers, and the like, who are in the same income grades as the manual worker, but who have never been in any contract of service and have therefore not been insured under the Health and old age schemes. When these people reach the age of 70 they must still submit to an enquiry and prove their need before they are able to claim the pension which the worker, who has previously been insured, gets as of right. Yet for those over 70 the money for both categories comes from the same source, the national revenue.

The opportunist character of the social insurance measures themselves is well illustrated by a comparison of health and unemployment insurance. In the desire to make a sharp distinction between insurance benefit and public assistance, the family needs of the insured person were deliber-

[1] Cf. pp. 85–6.

ately ignored in the original schemes. The benefit was to be paid on the fulfilment of prescribed conditions irrespective of both the contributor's private resources and of his obligations. The unforeseen character of post-War unemployment necessitated the introduction of family allowances into the unemployment benefit, at first as a temporary expedient, but these have now been accepted as a valuable and essential part of the system. But there has been no such prolonged pressure to alter the health insurance scheme. And we have thus the anomalous situation that if a man is unable to earn his living through inability to get a job, the size of his family is taken into account in assessing the social income he receives, but if he does so through sickness or disability, his family obligations are ignored. Yet his wife and children are no less dependent on him when he is sick than when he is out of work, and the bare needs of the family are likely to be increased when one member requires the special diet, warmth, quiet and care without which recovery will be postponed.

The different pressure of circumstances rather than definite policy is seen also in the distinction in the position of juveniles in sickness and in unemployment. Originally sixteen was the age of entry into all insurance schemes. Recent legislation has reduced this age with regard to unemployment and the juvenile now passes straight from the care of the school under the supervision of the authority administering his unemployment insurance benefit. Public provision is made to guide him in his choice of a job and help him to discover suitable openings. But with regard to the care of his health, the gap between school and employment still remains. Up to the age of fourteen his health is guarded by the school medical service; when he is sixteen his position as an insured contributor gives him rights both to benefit and treatment. But for the intervening two years he has no claim to medical attention unless his parents are able and willing to procure it for him.

III

The inclusion of family allowances in unemployment benefit as a permanent and integral part of the system, instead of an emergency measure, is one indication of the changing social attitude of the place of the family in society.

> The working of self-interest [said Professor Cannan], is generally beneficial, not because of some natural coincidence between the self-interest of each and the good of all, but because human institutions are arranged so as to compel self-interest to work in directions in which it will be beneficial.[1]

The human institution on which most reliance was placed to effect this reconciliation was the existence of the family as an economic and social unit. The most serious criticism that could be brought against any proposal for social amelioration has generally been that it might weaken the sense of parental responsibility or loosen family ties. Sheer necessity has compelled the State to take this risk. Inequalities in the distribution of wealth between social classes are obvious and inescapable. Inequalities between old and young are not so easily seen. But poverty always bears hardest where there are young children and it is just at this point that the effects of poverty are likely to be the most lasting and the most injurious from the point of view of the practical welfare of the community. Those social services which, like education and public health facilities, add *indirectly* to the income of the family do, of course, make a greater proportionate addition to those containing young children than to those composed mainly of adults. But though there is no doubt that conventional standards of living play some part in determining wage rates, wages take no account of the size of the individual worker's family. The wage earner is expected to cut his family needs according to the size of the income he is able to command. And similarly the State did not consider it a duty to take official cognisance of the needs of his family unless his ability to procure an income for them so far declined that they became destitute. Public assistance was then forthcoming to pro-

[1] Quoted Pigou, *Economics in Practice*, p. 109.

vide for their immediate necessities. The social insurance schemes were originally based on this fundamental assumption that the responsibility for maintaining his family rests entirely on the worker. Just as the thousands of workers in a particular occupation may have a thousand degrees of family obligation yet all receive the same wage, so the insurance benefit completely ignored the individual variations in the size of the family, whose standards of living it was designed to maintain. If the interruption to earning is of very short duration, the balance of advantage might lie with this method, as stressing the contractual nature of insurance in opposition to public assistance. But very rapidly the emphasis changes with almost every day that resumption of earning is postponed. Apart from humanitarian considerations the danger to the community of permitting its children to be undernourished, badly clothed and inadequately cared for, is so overwhelming as to compel at least some of the aids to income, such as unemployment benefit and compensation for accidents, to be based on the composition of the actual family instead of on a mythical family unit of uniform size.

But this acceptance on the part of the community of some share in the responsibility for the family is only one aspect of a rapidly changing conception of family life. The modern family is no longer the closely-bound and exclusive group that it was even fifty years ago. All the developments of modern life tend to focus the interests of the members of the family outside the home rather than within its walls. The alteration in the home itself and in the kind of domestic duties carried on within it have played their part in this new conception. Furniture is simpler and more easily kept clean, and all sorts of labour-saving devices have been introduced, such as modern plumbing, electric and gas equipment; many of the domestic tasks such as baking, laundering, dress-making and even cooking, have left the home for the factory. Children are fewer in number and spend the greater part of their day at school. All this frees women from the unceasing drudgery of home tasks which formerly made up their day, and enables them to

emerge as individuals to take part in the wider activities and interests of the outside world. The greater freedom of women, which has resulted from the lower birth-rate and the simplification of home duties, has dethroned the family from its position as the supreme, if not the only centre of interest. It is true that the change in the nature of women's duties is much more marked amongst the artisan and middle classes than it is amongst the semi-skilled and unskilled. Home duties amongst the poorer sections are still largely traditional, both because of the larger families common in these classes and because of the lack of income on which the enjoyment of modern amenities depends. Nevertheless, the change amongst the more comfortable classes is highly significant, for it changes the place held by the home and the family in their own lives, and since most of us accept the state of things with which we are familiar as natural and right, it changes also their idea of what they believe the poor *ought* to feel about their families and the sacrifices they *ought* to be prepared to make for them.

But perhaps even more significant in its effect on family life than the changing nature of women's interests and domestic occupations, is the profound alteration that this century has witnessed in the position of youth. The time when it was the duty of the child " to be seen and not heard " and when it was taught to accept the decrees of its parents without criticism has completely gone. The child is now accepted as an individual, with its own life to be lived, its own potentialities to be developed. Economic and social circumstances, as well as increasing psychological knowledge, have had their share in this development. Fifty years ago transport was still so slow and expensive that the majority of people lived and worked within a narrow area, from which they rarely had an opportunity to move. Recreational activities outside the home were practically non-existent. The one big outside interest was the Church, and this strengthened the already strong sense of family ties. Even the schools did little to foster new interests. Educational method was only just beginning to emerge

from the "learning by heart" stage, and, in any case, the children spent too short a time at school to be profoundly affected. Everything conspired to weld the family into a closely-knit unit, and to throw it back on its own resources for the satisfaction of its needs and interests.

All this has undergone a radical transformation. The school is now a place of pleasure and entertainment as well as of learning. The modern child looks forward to the hours he spends in school for companionship and interest and rich activity. The development of cheap and rapid communications has increased personal mobility, and in so doing has split the family unit into its component parts. The younger earning members of the family may still sleep under the parental roof, but during the day they are widely separated, making new contacts and sharing different interests. They must have money in their pockets in order to meet their travelling expenses and pay for the midday meal, and it becomes the accepted custom for them to retain their own earnings, paying the mother for their keep at home, instead of giving her their wages and receiving back from her a sum for small expenses. At the week-ends and on holidays it is with their own young friends rather than with the older members of their families that they take advantage of the cheap excursions into the countryside. The growth of new types of entertainment such as the cinema and dance hall, the establishment of girls' and boys' clubs and the big part now played in life by organised physical and cultural activity, all draw the interest of the young person from the home to the outside world. The home has become the dormitory rather than the centre of life, and innumerable new loyalties usurp the place in the affections and interests of the younger generation once held by the family.

It must not be concluded from this that family affection has disappeared. It is rather that life now offers richer and more diverse opportunities than it used to. The old family life, at its best, gave a sense of stability to the individual, a strong feeling of community with other members. It gave those opportunities for helping others and being in

turn helped by them, which are essential to the full development of the normal individual. But it must, even more often, have been narrow and stunting in its influence. And of the unutterable boredom that came from spending all one's leisure with the same small group of persons, we shall never fully know, for most of the sufferers were inarticulate.

The members of the modern family with their various interests and activities no doubt feel a strong affection for one another, but there is no longer that strong sense of community with and responsibility for each other. The unmarried members normally stay with their parents as long as they can enjoy the freedom from restraint which they demand as a right, but no very strong provocation is necessary to induce them to leave the family and go into lodgings elsewhere. Family affection and pride are still generally sufficiently strong to induce members of a family to help one another in time of need, but it is no longer considered an imperative duty to sacrifice all personal interest at the family altar.

No better illustration of this change in the nature of the family could be found than in the agitation centring around the Means Test. When the test of needs and resources was first introduced into transitional benefit in 1931, it was left to the administration of the Public Assistance Authority, as the only institution with the necessary equipment and experience for the purpose. The local bodies were, for the first year, given no guidance as to the principles on which they should make their assessments, and the consequent wide disparities between treatment of identical cases in different areas led to bitter criticism. And this made the whole subject of the calculation of needs one of burning controversy. The practice of the Relieving Officer under the Poor Law could not be taken as affording adequate guidance. The only qualification for assistance under the Poor Law is " destitution "—a term which has never been legally defined. The Legal Adviser of the Local Government Board in his evidence before the Royal Commission on the Poor Laws 1905–9 defined the term as used to describe " the condition of a person who is for the time

being without material resources appropriate for satisfying his physical needs, whether actually existing or likely to arise immediately." This definition has been generally accepted and the Ministry of Health instructed the local authorities that in assessing the amount of relief to be afforded to able-bodied persons, income and means from every source available to the householder should be taken into account. From the point of view of the relieving authority the only consideration of importance is to determine whether the members of the household are destitute or not. The question of relationship or dependence is irrelevant. The fact of forming a household unit or "keeping a common table" is enough. If one member of such a unit is without resources it is presumed that he has a claim on those of the others, and if an applicant for relief normally supports other persons living with him, his application is treated as covering the whole group of persons for whom he is normally responsible. It may thus happen that the incomes of quite distant relations who happen to be living with the applicant, are taken as completely at his disposal, and those on whom custom would not normally impose a moral obligation for his support, are compelled to contribute to it. In the case of relief to the non-able-bodied there is an important difference. Here there is a legal obligation laid upon the father, grandfather, mother, grandmother, husband or child of the necessitous person to contribute to his support according to their means whether they are members of the same household or not.

But the qualification for assistance from the Unemployment Assistance Board is not the fact of destitution. When the Royal Commission on Unemployment Insurance recommended a needs test prior to the granting of unemployment assistance they did so not because they wished to confine help to the destitute, but because of the difficulty of finding any other means of defining the classes of persons to whom assistance should rightly be given. The objective of the assistance was the maintaining of the unemployed and their families at a prescribed minimum standard. The question at once presented itself as to the unit of assessment

on which needs and means should be calculated. As the applicant was to be regarded as more than an individual for purposes of claim it was reasonable to argue that he should be taken as a member of a group for assessing resources, but the determination of the exact composition of the group of which he could justly be regarded a member has presented extraordinary difficulty. Any rigid definition is likely to result in anomalies and hardship. To assume, as did the Public Assistance authorities that the resources of all persons living together are equally available to all, is to expect from the poor a much stronger and more profound sense of kinship than is customary in other classes of society. Few people are so sensitive to the claims of kinship as to believe that a distant relative has a definite right to share one's last crust. The Royal Commission came to the conclusion that " the household should in ordinary circumstances be regarded as consisting of husband, wife, sons and daughters." [1] But that even so the resources of these individuals should not be considered as being completely available for the family maintenance.

> One of the normal inducements to earn [they reported], is the power to spend some part at least of wages, in satisfaction of personal inclination. . . . It is important therefore that in addition to the out-of-pocket expenses involved in earning the wages, such as insurance, and trade union contributions, cost of transport, and exceptional wear and tear of clothes, a wage-earning member should be allowed to retain in his pocket, for his own disposal, some reasonable proportion of his earnings, the remainder being regarded as available towards the maintenance of the household of which he is a member.[2]

The Draft Regulations of the Unemployment Assistance Board [3] did not, however, accept these recommendations without modification. They embodied the view that members of a household bound by close ties (mother, father, wife, husband) have a stronger claim on each other than on more distant relations, but they persisted in regarding the earnings of *all* members of the household as being, at least in part, available for the whole group. These Regula-

[1] Report of Royal Commission on Unemployment Insurance, p. 287.
[2] *Ibid.*, p. 289. [3] Cmd. 4765/1934.

tions gave rise to a storm of criticism and protest. It has been argued that far from preserving and enhancing the sense of family unity, the effect of such regulations is to break family ties and disrupt family harmony. The chronic nature of unemployment is largely responsible for these protests. If a man is out of work for a few weeks the members of his household are generally quite ready to help him out of their earnings. But when he remains unemployed for years on end the situation is radically altered. The necessity to maintain him cuts off the earning members from all the small comforts and recreations which their fellow-workers enjoy, and prevents them from making the provision for their own future which prudence enjoins. Tempers grow irascible under the straitened conditions of life—the dependent worker feels himself an intolerable burden on the slender resources of the others, and the earners resent being *compelled* to undertake such heavy responsibilities. The obvious way out is very often taken; the younger members of the family leave home and either marry or go into lodgings so as no longer to be forced to contribute as members of the household.

The criticism of the Regulations is not confined to the sufferers but has awakened widespread support. It is interesting to see that the hundred and fifty-two signatories to the programme set forth in *The Next Five Years* (persons drawn from all political parties, and representing on the whole the "middle" point of view) concluded:

> In our opinion the attempt to regard all relatives living together as a unit for the purposes of the Means Test, and to make an unemployed man dependent on the earnings not only of his own children, but also of his brother or his son-in-law, should be abandoned. The enquiry concerning means should be restricted to the closest degrees of relationship, if, indeed, it is not confined to the applicant himself and his wife (or husband, as the case may be).[1]

This is a far cry from the conception of family responsibility of the 'nineties.

Yet there is every likelihood that if this narrower inter-

[1] *The Next Five Years*, p. 187.

pretation of available resources were taken, the members of the family would still rally to the support of the unemployed individual. The allowance provides only for bare necessaries. It would still be left to the relatives to offer from their earnings all the extras that make the difference between mere existence and a tolerable life—tobacco, more variety in food, a bus ride into the country, a visit to the cinema, etc.

The controversy over the Family Means Test has brought sharply into the light the new relationship between the State and the individual that the present generation has grown to accept as right. The organised community is coming to take the place of the family as the group to whom the individual turns in times of need. The emphatic insistence on family responsibility which characterised the nineteenth century owed its origin to the social structure of an earlier age. For ideas change much more slowly than facts. Before the Machine Age, the family was not merely a social unit—it was also generally an economic unit. In the case of small farms and domestic industry the different members of the family all contributed to produce the economic resources on which they maintained themselves. There was no clear distinction between earner and dependent. The family was closely knit as members co-operating in their work and literally dependent on each other's activities. One recalls Defoe's panegyric on the organisation of the woollen industry in the eighteenth century.

> Within we saw the houses full of lusty fellows, some at the dye-vat, some at the loom, others dressing the cloths; the women and children carding, or spinning; all employed from the youngest to the oldest; scarce anything above four years old, but its hands were sufficient for its own support.[1]

There was little personal mobility when transport was slow and expensive. Men were content to live, work, marry and die in the village in which they were born. So that to the ties of kinship were added those of neighbourliness, a sense of being part of a little community, sharply differentiated in its life and ways of living from other similar

[1] D. Defoe, *A Tour Through Great Britain*, Vol. III, p. 146.

groups living elsewhere. Occupations and social intercourse were carried on according to long-established tradition. Neither one's duties nor one's obligations were the subject of controversy. In a manner of life which changed but slowly, custom was the dominant controlling factor. If misfortune came it was natural to look for help to those with whom one was in such close contact. The need would probably be only temporary and the person who was assisted would be equally ready to reciprocate if later on his help was required by others. The trouble was usually part of the ordinary lot of mankind; illness, a bad harvest, and so on.

The new industrial technique built on iron and coal introduced fundamental changes. The family remained a social unit, but was no longer an economic one. The worker was employed as an individual, though from the pay he received for his industrial work it was assumed that he could maintain his dependents. The migration of population to the industrial areas broke the old ties of kinship and neighbourhood and replaced them gradually by the new loyalties, based on craft and class. The order of life was no longer dictated by tradition but by new forces which, to the individual, were incomprehensible mysteries. The response which the worker made to this new state of affairs was the organisation of the trade union with its insistence on the "Standard Wage" for the occupation. It is true that there was little clarity of thought and that the "Standard Wage" was thought of in some confused way as representing an adequate standard of living for a worker with a typical family. But such a "typical family" has never existed except in a minority of cases. The unions showed practical common sense in demanding the occupational rate. It was the only way in which to protect their members, but it did lay the emphasis on the economic value of the work of the individual rather than on the extent of his family obligations.

Nineteenth-century social philosophy was an attempt to reconcile the conception of the family which had evolved during the ages when subsistence economy prevailed, with

the new world organised for mass production. In the earlier period the standard of well-being of the family group did indeed depend on its members' own efforts; on their initiative, hard work and thrift. In the new age, though these played some part, it depended primarily on world conditions. The individual came to feel himself the sport and plaything of gigantic impersonal forces, which he could not understand, and which certainly he had no power to control. For a long time this divorce between social philosophy and socio-economic facts was not realised. The head of the family was prodded and admonished to remember his duty to look after those for whom he was legally responsible. And only the sheer impossibility of his compliance forced the State reluctantly to undertake some of his responsibilities itself.

The War, by accelerating changes already taking place, and by the dislocations it specifically created, forced the realisation that, in the modern world, the family cannot play the same part as it had done before the Industrial Revolution, and as it had still been expected to do in the last century. Hundreds of thousands of wage-earners were taken from their civilian work to serve with the Forces, and the State had to provide incomes for their dependent families whilst they lived, and pensions if they were killed. When the survivors were demobilised after the War, the State again provided the incomes on which to maintain themselves and their families until they were reabsorbed into civilian occupations. To thousands and thousands of families, then, all over the country, the State came to assume the form of the Supreme Paymaster to whom it was the natural thing to look for support. The effect of this might have been only temporary but the seriousness of the unemployment situation gave this attitude permanence. The need created by chronic unemployment was so immense that only national resources could be adequate to deal with it. Moreover, justice as well as expediency demanded that the State should accept financial responsibility for a state of affairs which national policy had created. The plight of the unemployed, it was argued, was as much a

direct consequence of the War, as was the disability of a wounded soldier. And just as the national conscience required the State to accept economic responsibility for the latter, so it should for the former.

IV

Even had there been no war, however, it is likely that some authoritarian redistribution of wealth would have taken place, though probably much more slowly. The uneasiness at the inequality in wealth, which was beginning to appear at the end of last century, has grown more and more profound. The differences now may be no greater than they were in an earlier generation, but they are more obvious. With the greater ease of movement, rich and poor are no longer so segregated. Through actual contact, through the newspapers and through the cinemas, the poor know something of the luxury of the rich, and the rich are made more aware of the privations of the poor. Though the disparities in wealth may be no greater than they were before, there is now a much greater consciousness of them. It is largely on these inequalities, and their moral and social consequences, that the socialist bases his criticism of capitalist society. But the man who is unable to accept fully the socialist doctrine, or who believes that the socialist organisation of society is an objective that can be only slowly and cautiously achieved, finds himself in a serious dilemma. He wishes to retain the comparatively unregulated enterprise and freedom of initiative of the capitalist régime, yet he can discover little moral justification for the unequal distribution of the world's resources which seems to be its inevitable accompaniment. The development of a complex system of State services designed to protect those who get the worst of the deal, offers a way out of this dilemma. Probably the greater part of the non-socialist support for the extension of social services derives its inspiration principally from the attempt to make this reconciliation between belief in private enterprise as an economic organisation and disgust with its social consequences.

For these social services do in fact have the effect of

mitigating to some extent the wide divergence in the incomes of different classes. An exact calculation of this effect cannot be made, for no watertight demarcation of the beneficiaries is possible. Yet on the whole it is sound to identify those who get most direct benefit from the social services with the general body of wage-earners. And in this way one can get some idea of the addition to the income enjoyed by wage-earners that is represented by what has in earlier chapters been called "social income." Mr. Henry Clay [1] has made a calculation on these lines showing the growing ratio of expenditure on social services to wages, that has developed in the present century. The expenditure on social services as shown in the "Drage" Return [2] includes several items which have not been discussed in previous chapters, where only those schemes which have a direct bearing on the money income of the beneficiaries have been dealt with. The Drage Return covers, in addition to insurance, old age and war pensions, and the Poor Law, the cost of education, Reformatory and Industrial Schools, and expenses incurred under the Public Health and Housing Acts. But although these last represent a less direct addition to income, they are nevertheless an increase in the resources of the individual that otherwise would not have accrued to him.

In order to get a post-War figure comparable with the pre-War, Mr. Clay excludes War Pensions (as a transient charge). It must be remembered too that part of the expenditure on social insurance is met by the contributions of employees and workpeople, and an adjustment must be made on this account. From these calculations, Mr. Clay estimates the ratio of expenditure on social services to wages as follows:

1880 . .	3·4 per cent	1913 . .	10·4 per cent.
1911 . .	9·4 „ „	1924 . .	12·5 „ „

A calculation on the same lines may be made for 1930. Mr. Colin Clark has made a careful evaluation of wages for

[1] H. Clay, "The Authoritarian Element in Distribution." Published in *Problem of Industrial Relations*, p. 248 ff.

[2] Annual Return of Expenditure on Public Social Services.

1928 and from this estimated the wages for some subsequent years. He gives £1,460 millions for 1928 and £1,433 millions for 1930.[1] The expenditure on social services for that year was £463,320,000,[2] of which £44¼ millions was accounted for by war pensions and £55¾ millions was collected from contributions, fees, etc. The remaining expenditure which fell on national and local taxation represents a ratio of 18 per cent of the wages. This very rapid increase is due partly to the immense increase in the cost of maintaining the unemployed, the total cost of which grew from £9,701,000 (1920) to £88,401,000 (1930), and partly to the extra expense involved in Old Age pensions, both State and contributory. In one decade the cost of State pensions has increased from £20,750,000 (1920) to £37,520,000 (1930).

Yet whilst recognising that the provision of social income makes an addition to the wage-earner's income, it must not be forgotten that the funds used in these services have to be raised by taxation from the community, and that it is possible that the beneficiary under the services may be no better off if, as taxpayer, he contributes as much as he receives. The actual amount paid in taxes by owners of incomes of varying amounts is not capable of precise calculation, though an attempt to make an estimate was made by the Colwyn Committee on National Debt and Taxation in 1926.[3] The difficulty in making such a calculation rests mainly, of course, on the inability to determine exactly how much is paid in indirect taxation by different income grades, since the amount of such taxes depends so greatly on personal tastes in consumption. Yet broadly it may be taken that

of income-tax, super-tax and death duties, the main bulk is paid by the rich, while for the duties on beer, tea, sugar and tobacco not only the main burden relative to the size of income, but the main absolute burden, falls on the poor. Other taxation—of which taxes on wines and spirits, motor vehicles, silk, petrol, entertainments, stamp, (and now imported manufactures) are the chief—fall predominantly but not entirely on the rich.[4]

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[1] Colin Clark, *National Income* 1924 *and* 1928, p. 72.
[2] *Public Social Services*, Cmd. 4197/1932, Part II.
[3] Cmd. 2800/1927. [4] Colin Clark, *The National Income*, p. 79.

The last half-century which has seen the big increase in the expenditure for social services has also witnessed a great change in the emphasis of taxation. A much larger proportion of total revenue is now obtained from the taxes whose burden falls principally on the rich. In 1890 [1] 72 per cent of national tax revenue was obtained from indirect taxation. In the year before the War, 1913–14, the proportion of total revenue raised by indirect taxation was 46 per cent.[2] In 1932–3 it had dropped still further to 39·8 per cent.

There is no doubt, therefore, that the method of financing the increased public expenditure on social amenities does effect quite a big redistribution of wealth in favour of the smaller incomes. This is not always recognised because the majority of people do not take into account either the burden of taxation or the value of " social income " when comparing the resources of different individuals. When the newspapers refer to some rich man as having an income of £50,000 a year, it is the gross figure which remains in the minds of readers who do not subtract the large amount that such an income will pay in income and super tax, any more than they estimate the money value of social insurance and similar services and add the result to the weekly wages of a worker in order to arrive at his real income.

Yet whilst there is this redistribution as between the richer and poorer classes on the whole, there are some anomalies in the present burden of taxes on certain income grades. The general effect of indirect taxation is regressive, and the estimates of the amount of taxes paid by various income grades made by the Colwyn Committee showed that on an income of £100 a year, a larger percentage was paid in taxation (11·9 per cent) than on an income of £1,000 a year (11 per cent).[3] Such a distribution of the burden of taxation is impossible to justify on any grounds at all, and calls for a still further emphasis on direct taxation as the principal contribution to national revenue.

[1] H. Clay, *Problem of Industrial Relations*, p. 252.
[2] *Seventy-Seventh Statistical Abstract for the United Kingdom*, Cmd. 4489/1934, Table No. 115.
[3] Report on National Debt and Taxation, p. 95.

There are, however, limits to the extent to which this redistribution of wealth can be effected. Contemporary estimates of the limits of taxable capacity are very much more elastic than those which were current even thirty years ago. We are no longer aghast and apprehensive when confronted with an income tax of 1s. in the pound. The experience of the War and post-War budgets has proved that citizens can adapt themselves to very much more stringent taxes than would ever have been thought possible by earlier generations. But whilst the limits are neither so narrow nor so rigid as they were conceived to be, yet there still remains a point beyond which taxation may be destructive rather than constructive, however valuable the services on which the revenue is to be spent. The higher the level of taxation the greater the difficulty for the citizen to provide the capital on which industry depends. And though no doubt individual savings no longer play as big a part now that so much collective provision for the future is made by companies themselves,[1] yet they still form a very considerable proportion of the total. Again, a high income tax weights the odds against new enterprise. The entrepreneur has to reckon on the fact that if he loses in his venture, the loss must be borne entirely by him; if he wins, a share goes to the tax-collector; and the higher the tax the larger profit must he be able to forecast to balance the chance of loss and to make it worth his while to take the risk.

This consideration points to the general difficulty in the development of communally provided income in an economic organisation which is still predominantly based on private enterprise. The problem is that of substituting over part of the economic field a totally different method of calculating the advantages accruing from a particular course of action than the one that usually acts as the guide to ordinary economic activities. In a system of private enterprise, decisions as to the use of economic resources—as to what

[1] The undistributed profits of companies and private concerns "formed no less that 40 per cent of the estimated total savings of the nation in 1924, and a still higher percentage of the savings devoted to British industry."—J. Wedgwood, *Economics of Inheritance*, p. 19.

shall be done and what left undone—depends on the calculations of those taking the initiative as to the relationship between the costs to be incurred and the price that is likely to be received. The calculation is entirely quantitative. The production of certain goods and services rather than others, of the manner in which they are produced, the wages and conditions of employees, all these are matters which have indirectly a profound influence on the welfare of society. But the indirect effects are not taken into account in coming to a decision as to whether such and such commodities shall, in fact, be produced or not.

With regard to the social services, however, it is just these indirect effects which are the prime consideration. To estimate the money cost of these services is not difficult, though even here absolute accuracy is not possible. We cannot, for example, count the whole of the expenditure on social insurance as the extra cost (in addition to wages) of maintaining the wage-earning population on a minimum standard. That part which is contributed by the workers themselves is obviously a burden on their wages. But it is less obvious, though probably not less true, that the contributions paid by the employer are also not a net addition to the worker's income. To the employer, the contribution to the insurance funds is part of the cost of employing workers just in the same way as is his wages bill; and it is therefore fairly certain that the wages that he is willing to pay for a given number of employees is less, the higher the compulsory contributions he makes. Yet we cannot go to the other extreme and say that the wage plus the employer's contribution is exactly the total that would have been paid in wages had there been no social insurance system at all. For wages, at any time, are not fixed, and could not be fixed, by a delicate calculation of the exact economic value of the work of an employee to his employer. They are rather the result of an infinite series of counterbalances and compromises, based on custom, on the relative bargaining strength of trade unions and employers, on the necessity to make quick adjustments to changing trade conditions and a number of other factors. So that there is

no guarantee that wages would be higher by the whole amount of the employer's contributions were it not for the compulsion on the part of the employer to contribute to insurance funds. But the probability is that there would be some difference in this direction.

But if money costs of the social services do not allow of accurate computation, the indirect costs are even less capable of quantitative assessment, for in them we must take account of the influence they exert on the minds of those they concern. The nineteenth-century Poor Law was always afraid that generous treatment might weaken the moral fibre of the population and lead to a consequent loss in productive power. The twentieth century has learned not to take quite so gloomy a view of human nature; but yet experience shows that the part played by personal qualities in misfortune cannot be completely ignored. The unwillingness of many men and women to learn new trades, or to move to strange districts,[1] is one of the indirect, non-calculable costs which must be reckoned in estimating the burden of social services. Similarly, their effect in increasing the rigidity of the economic system cannot be overlooked. In the past a trade union negotiator when discussing wage rates with the representatives of the employers was faced by certain alternatives. He knew that if the bargaining strength of the income was directed towards forcing wages up or to preventing them from falling during a period of slack trade, there would undoubtedly be a larger number of his members out of work. He had thus to make up his mind whether to try to keep wages up and have more unemployed, or agree to a lower rate but have a larger number in work. Before the War, the danger of the first alternative was generally too great to be risked; for he knew that if the unemployed were left for long to their own inadequate resources supplemented only by the sparse trade union benefits, there was a real risk that they would secede from membership and accept jobs at rates which undercut the union agreement. Since the War he has been faced by the same choice of policy but with the knowledge

[1] See Chapter VI.

that unemployment insurance acts as a sort of cushion for those left out of work if he decides to aim at the maintenance of higher wages. Those unable to get jobs at these rates are, at least, maintained at a subsistence level for an indefinite period and there is consequently little danger of undercutting. The effect of this can be seen in the fact that despite a depression, which is unprecedented in extent and duration, wage-rates have fallen by a very much smaller percentage than average prices or than the cost of living.

It would be wrong, however, to jump to the conclusion that any large proportion of the total of unemployment is due to high wages. More profound and radical causes are at the root of the depression in the industries principally affected. It is probable that the demand for labour in these trades is highly inelastic and that the drop in wages would need to be very drastic indeed to make an appreciable difference in the numbers employed. From this point of view it is sound policy on the part of the unions to attempt to keep a reasonable standard of living for a smaller number instead of allowing wages to fall so heavily that extreme poverty for a slightly larger body of workers would be the result. Yet at the same time it must be recognised that it has the effect of blurring the relative unattractiveness of these industries, and of thereby postponing the adjustment of the labour supply to their probable future requirements.

Nor is it only or even chiefly here that these costs are to be found. To pay money is easier than to think. But it is only constructive thought which can bring about those profound and radical changes in our economic organisation which are essential if we are to revive from the state of depression which has persisted throughout the whole post-War period. The social insurance schemes have held off the most serious consequences in wholesale starvation and misery which such a depression would have occasioned had the wage-earner been abandoned as before to his own resources and the Poor Law. But they have also postponed the necessary thought and reconstruction. It may be that one of the heaviest items to be put on the cost side

in the " Profit and Loss " account of the social services is the comparative communal complacency which they have permitted to endure.

If difficulties are encountered in estimating the less direct costs of the social services, those to be surmounted in calculating the indirect benefits are even greater. That the incidence of extreme poverty has been so materially reduced is a definite factor to be placed on the credit side; but it by no means exhausts the social and economic value of these schemes. It is obvious that an industry which exists by reason of the lowness of its wages is " parasitic," i.e. that parts of its true costs are being met by those other industries by whose wage-earners its own workers are being partly kept, or by the taxpayer and the charitable who support the institutions to which the low-rated worker must come for help to keep alive. Such an organisation as that of the Trade Boards, by compelling such trades to pay wages more nearly representative of the real cost of their labour, serves to concentrate production in the most efficient units and to direct economic resources along the most productive channels. But no statistical evaluation of their benefits can be made to put opposite their cost of administration. That the old age pensions, by providing an honourable retirement for millions of people, have lightened the burden of old age and removed that dread of being a drag on the younger members of the family, which must before have made the approach to age so bitter, is an uncontrovertible fact. But the value of such happiness cannot be monetarily estimated. The Health Insurance system by enabling millions to have good medical attention, who before were unable to afford it, no doubt helps to produce a healthier nation; and in so doing not only adds to the happiness of mankind but reduces the tremendous economic waste which is due to the heavy incidence of preventable sickness. The Unemployment Insurance system has enabled the community to face the worst trade depression in history with less serious undernourishment than was customary in the very much slighter depressions of an earlier period. Not only has the suffering of involuntary idleness thus been partly

alleviated and economic capacity maintained, but the fact that the younger generation have been able to get better and more regular food than would have been their lot without such a system, is a matter of profound though incalculable importance to the future welfare of society.

It is because of the impossibility of estimating the benefits of these services—benefits which are qualitative rather than quantitative, and benefits the full value of which is spread over the future as well as the present—that the money cost of them is often stressed so much more heavily than the advantages, which is as unreasonable as to groan over the expense, say, of road-building because the advantages of quick communication are not capable of money assessment. But the inherent lack of precision in the balancing of costs and benefits in these uncommercial services does lead to certain difficulties in a world which is dominated by the commercial calculus. In ordinary private enterprise, price is a fairly good rough-and-ready guide as to the lengths to which any particular activity should be pushed. In the social services no such indication can be found, and the point to which it is possible to go depend on a combination of a number of considerations—as, for example, the effect on industry of the necessary taxation to meet the expenditure of such a service, the probable influence that may be exerted in the wage-earner's anxiety to work with intelligence and assiduity to provide for his own needs, and the indirect consequences on the mobility of labour or the level of wage-rates. On the whole it may be said at present that the general effect of the social services discussed in this book is to ensure to the wage-earning population an income throughout life, which represents the standard of living of the unskilled labourer. And it is improbable that a higher amount could be achieved in so far as direct money payments to the citizen are concerned. For public opinion is not likely to be tolerant of a socially provided standard of living for those who are not working which is higher than that enjoyed by those supporting themselves by their own efforts. This is not the same as the 1834 insistence that the lot of the man helped by society should be less

attractive than that of the lowest of independent labourers. The community has come to realise that the conditions of some employed persons are so lamentably low that they cannot be accepted as the minimum standard for society, and that if the effect of a higher social income is to force up the level of these low-paid occupations to what is considered the minimum upon which a member of a civilised community can be expected to exist, so much the better. But the wages of the general body of unskilled labourers does represent the minimum standard of living as accepted by the conventions of the moment. As has been seen, this is by no means a fixed amount; it varies from period to period as the productivity of society increases, and as more and more commodities come to be accepted as essential necessaries of life. In the same way the standard of a possible social income varies with it. The limitation in those social services which provide direct money addition to the wage earner's income is, therefore, not absolute but relative. It depends on the level of well-being of the unskilled worker, which may be taken as representing the current conception of the minimum requirements of life in the community.

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