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# The Household Benefit Cap: understanding the restriction of benefit income in Britain

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## Abstract

Britain's Household Benefit Cap restricts the amount of benefit income unemployed households can receive. In this article, it is examined using material held at the UK's National Archives recording debates about a proposal to introduce a similar policy – a benefit limit – in the first Thatcher Conservative government elected in 1979. It was rejected, but the Household Benefit Cap was introduced three decades later. The article locates debates about, and the practice of restricting benefit income, in perennial social security concerns with the financial incentive to do waged work. The article argues that while there are material differences that help explain the different policy outcomes in 1980 and 2010, they can primarily be explained by changing ideas about the roles of social security policy, including the development of the 'incentive paradigm' concerned with manipulating behaviour; a loss of concern with the hardship that would come with the introduction of a benefit restriction and a view that institutions other than the state are better placed to address poverty and buttress work incentives.

## Introduction

As part of its aim to cut social security spending by £18 billion per annum by 2014/15 the newly established Conservative/Liberal Democratic Coalition government in Britain announced in 2010 a Household Benefit Cap (HBC) was to be introduced to restrict the amount of benefit paid to working-age households. There were to be exceptions linked to 'caring', disability and low paid work. Introduced in 2013, the HBC was set at median earnings for households containing dependent children (£26,000 a year) and 70 percent of these (£18,200) for childless households. In the 2015 Summer Budget the HBC was lowered to £20,000 per annum (£23,000 for people living in Greater London) for households with dependent children and £13,400 (£15,410 for Greater London) for childless households (Kennedy *et al.*, 2016).

The literature examining the HBC focuses upon ways in which it discriminates against, and impacts upon, particular geographies and social groups (Beatty and Fothergill, 2014; Hamnett, 2014; Hollingsworth, 2015; Palmer, 2016; Simpson, 2017; Lammasniemi, 2019). This literature associates the HBC with post-2010 'austerity', thereby linking benefit restrictions to periods when anti-social welfare sentiments have framed social security policy and to right-wing governments. Restricting benefit income, however, is not just something associated with 'austerity' and the political right. Various countries, with governments of different political persuasions have limits to benefit income (Esser *et al.*, 2013). Furthermore, in Britain, there have been different forms of limits on poverty relief incomes over a long period of time. Poor relief, for example, often oscillated with changing local wages (Grover, 2016), while the Wage Stop[1] operated between the 1930s and 1970s. It restricted social assistance to what recipients might have been expected to earn if they were in work. It was introduced by a National government and survived Conservative, Labour and Coalition governments. The HBC, therefore, can be understood as a new approach to an old dilemma: how to provide financial support for unemployed people while not eroding their financial incentive to do waged work.

In this article the development of the HBC is understood with reference to consideration in the first Thatcher government of the introduction of what was variously described as a 'benefit cut-off', 'benefit limit' (used in this article) and 'total income limit'. It was not introduced. The author examined 70 files at the UK's National Archives identified through keyword searches, including 'Wage Stop', 'benefit limit', 'total income limit' and combinations of 'work', 'incentives', 'disincentives', 'assistance', 'benefit' and 'social security'. The searches were limited by date parameters of 1920 and 1990. The files examined included cabinet minutes and papers, and correspondence between ministers and between them and the prime minister (the records of the 'core executive') and 'lower level' records of various government departments and its agencies, primarily the then Department of Health and Social Security, HM Treasury and the Supplementary Benefits Commission (SBC).[2]

## Social security policy and work incentives

At the centre of social security policy for working age people is a perceived policy contradiction; that if the needs of people who are not in waged work are relieved, they will be disincentivised from taking waged work when it is available or incentivised to leave work for unemployment (Grover, 2016). Work incentives have been the focus of a range of policy-related literature, including that concerned with social security policy (including Whiteford and Bradshaw, 1994; Walker, 1998; Benda *et al.*, 2020); labour market economics (for example, Maki and Spindler, 1975, 1979; Atkinson and Flemming, 1978; Kay *et al.*, 1980; Britton, 1997) and that concerned with relationships between social policy and capitalist imperatives (for instance, Offe, 1984; Novak, 1988). While being embedded in different intellectual traditions, what unites these literatures is a concern with how social policy, and more specifically social security policy, might act to encourage or discourage people to commodify, to sell, their labour power.

This is clearly articulated in O' Brien and Penna's (1998, p. 66) observation that the capitalist state ensures labour power is a 'commodity to be exchanged in a competitive economic system'. The most important way in which it does this is by defining who, and when and under what conditions they, can claim to be legitimately outside of labour markets (Offe, 1984). There are various means through which states might do this, for instance, via what Clasen and Clegg (2007) describe as the 'levels' and 'levers' of conditionality and, more importantly for the purposes of this article, the level at which benefits are set. While, as work on policy (Grover, 2016) and public attitudes (Hudson *et al.*, 2016) suggests, concern with work incentives is long-standing, it is possible to argue that in recent decades it has become particularly important. Drawing upon van der Veen and Trommell (1999), for example, Wright (2012, p. 319) frames developments in 'welfare to work' policies since the 1990s through the idea of the "'incentive paradigm' . . . which views behaviour as driven overwhelmingly by individual economic gain" and is central to contemporary activation policies. As Dinan (2019, p. 4) argues, such activation may be introduced 'by merely reducing benefit generosity'. Such an approach to cutting the value of benefits has the theoretical impact of increasing the costs of waged work inactivity and, in an ideal-typical sense, can be described as being a 'negative' (Bonoli, 2010), 'defensive' (Torfing, 1999) and/or 'liberal' (Barbier, 2004) approach to activation-related policies. As Hussain *et al.* (2020) note in their analysis of racialised differences in benefit levels in Denmark, lower benefit levels operate on the premise that they intensify job search activity and reduce opportunities for claimants to be too selective in their choice of work. They do this by impoverishing people, an issue that in Britain has been central to debates about, and the practice of, limiting benefit income.

## An aborted benefit limit

The 1979 Conservative Party's election manifesto noted that if elected a Conservative government would 'restore the incentive to work'.[3] While it primarily argued this would involve cuts to income tax, when in power it soon became apparent that the first Thatcher government was also concerned with the intersection between wage and benefit levels. This should not be surprising for at least three reasons. First, externally there was concern with the issue of the duration of unemployment and explanations of it (Norris, 1978a, 1978b). 'Voluntary unemployment' and work incentives were central to such concerns. Vocal backbench MP, Ralph Howell, economists and analysts, and pressure groups and the Trade Union Congress were in various ways questioning how the social security system affected financial incentives to do waged work

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(for example, Maki and Spindler, 1975, 1979; Howell, 1976; Atkinson and Flemming, 1978; Kay *et al.*, 1980; Nickell, 1980).

Second, within the institutions of social security there was interest in work incentive issues. So, for instance, in the context of increasing unemployment and a belief among local office staff that a 'good number of Supp Ben [Supplementary Benefit] claimants are better off on benefit than in such work'[4] in 1975 the SBC felt a need to inform senior staff of the point at which it financially paid unemployed people to be in work. Then in 1978 the Department of Health and Social Security (DHSS) commissioned a longitudinal cohort survey of unemployed men that, in part, was to examine work incentives (Clark, 1978).

Third, work incentives had been a longer-term concern of the Conservative Party. The 1970–74 Heath-led Conservative government, for example, introduced as a work incentive measure the first-ever means-tested benefit (Family Income Supplement (FIS)) in Britain solely for people in full-time work. It was a consequence of concerns raised in the 1960s about families (thought to be 140,000) whose in-work incomes were estimated to be below their social assistance entitlement (Ministry of Social Security, 1967) and which the 1964–1970 Labour government was argued to have failed in policy terms (Banting, 1979). By 1979, however, the politics of work incentives had changed. The Heath government was informed by One Nation Conservatism, the 1979 Thatcher government by neoliberalism, which suggested the economic dilemmas Britain faced could be explained by state-induced passivity and 'dependency' (Hickson, 2010). In this context, the work incentive issue was held to confirm the folly of state intervention, a theme that framed discussions of the possible introduction of a benefit limit in 1980.

The idea was first raised in discussions about the possible abolition of the Earnings-Related Supplement to social insurance benefits.[5] Howe was asked by the influential Ministerial Committee for Economic Policy (E Committee) to arrange a study of factors affecting work incentives.[6] This was conducted by the Ad Hoc Committee on Work Incentives and Income Compression. Its report argued it was empirically difficult to establish the 'precise scale and shape of the in work, out of work and poverty trap problems'. Nevertheless, Howe believed the 'problems certainly exist'.[7] He accepted the Committee's view that the incentive to work (the in work/out of work problem) was more important than poverty trap, but argued its analysis was lacking because it:

> . . . underrates the inherent unattractiveness of working as against not working, and the need for substantial income differentials. This combination both encourages and provides an opportunity for a person to stay at home, operate as his [sic] own master and forgo the constraints and aggravation of taking formal employment.[8]

Howe's argument was informed by his belief, set out some two decades earlier, in "a 'neo-liberal' Conservative approach to the welfare state" (Page, 2015, p. 64). Page

(2015) argues, Howe rejected the tenets of social democracy in favour of free market provision and solutions, including freedom of individuals from state intervention, self-help and selective social welfare provision for those 'whose need could not be questioned' (Hillman and Clarke, 1988, p. 45). Benthamite in tone, Howe's analysis can be understood as being part of the 'negative' traditions in activation-type policies, for, he argued, 'above all' was the issue of the amount of benefit payable to people outside of work.[9] 'The relative benefits the non-worker can receive compared with in work incomes', Howe went on, contributed to the 'imbalance in our society which lies behind much of our present economic trouble.'[10] This included a shrinking GDP and, perhaps more importantly, stagflation, to which it was thought benefit levels were contributing by increasing unemployment and fuelling wage inflation.[11] In the immediate future, Howe argued, this 'trouble' could be partly addressed by 'examin[ing] again the possibility of cut-off or Wage Stop arrangements.'[12] Acknowledging that such a move would be potentially contentious, Howe nevertheless argued that it was 'offensive to many people to see a man out of work who, simply due to the fact that he has a large family, is collecting – untaxed – any reasonable proportion of a national average wage.'[13] In addition to gendered assumptions about male 'breadwinning', the implication was that the main concern of social security should not be the 'needs' of families (defined by the number of people in them), but how their benefit income compared to average wages.

Howe was asked by E Committee to arrange for officials to examine the 'possibility of imposing some kind of cut off on the size of benefit payments.'[14] In the meantime, he wanted to announce in the rapidly approaching 1980 Budget that such a limit would be forthcoming. Opposition from the DHSS and the SBC deterred him from doing this and helped establish reservations that meant the idea of a benefit limit would soon be aborted.

Given the abolition of the Wage Stop only five years earlier,[15] one of the main concerns was how the introduction of such a limit would be perceived. The Treasury was warned it was under-estimating how politically controversial a new benefit restriction would be. Patrick Jenkin (Secretary of State for Social Services), for instance, argued a new benefit limit would 'offer a slogan to our critics' and questioned whether the Conservatives wanted to be 'branded as the Party that reintroduced the detested wage stop?'[16] Public opposition to a benefit limit would come from the SBC. Although it had not been the most enthusiastic supporter of the Wage Stop's abolition in 1975,[17] the Treasury was told, it was almost 'certain to oppose such a proposal strongly and publicly.'[18]

Jenkin also thought plans for social security that had already been agreed in Cabinet and were to be included in two 1980 social security acts were controversial enough. He noted: 'No Government has previously attempted to either remove benefit, or to reduce their value; and we shall be doing both at once.'[19] And with the addition of a benefit limit, Jenkin also thought it would be

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impossible to resist calls for the development of hardship provision, which would be difficult to implement because of a 'squeeze' in DHSS worker numbers,[20] part of the first Thatcher government's desire to 'roll back' the state.

Officials worked up three possible models of a benefit limit: a 'cut-off' set at a proportion of average earnings; one related to households' circumstances and a compromise between the two, an approach that used average earnings, but which was also adjusted for family circumstances.[21] Officials had sought 'a solution which would be both simple to administer and fair to the beneficiary.' Such issues were acknowledged as being in conflict – 'a simple scheme may be arbitrary in its effects and no solution is free from administrative difficulty.'[22] The proposed schemes would be problematic, albeit for different reasons.

Relating social assistance to average earnings meant recipients would 'be seen to be receiving a lower income than the generality of those in work.' Such a limit had the administrative advantage of being simple to apply, and was said to have the advantage of being similar to the operation of labour markets: 'Like earnings levels, there would be no variation according to individual or family circumstances.'[23] The lack of relationship to individual circumstances, however, was also its main difficulty. It would not be 'individually fair', but could be justified on the basis that a benefit payment higher than the given proportion of the average wage 'would be wrong because it undermines work incentives.'[24] Officials acknowledged such an approach would particularly impact upon households containing 'large' families. It would, therefore, 'undoubtedly cause hardship'[25] and would be criticised as being 'anti-family'.[26]

Linking the benefit limit to individual circumstances did not have such disadvantages as it was more likely to affect childless households. In addition, such an approach would be administratively fairer, but more expensive, as it would be more complex to administer and open to greater scrutiny through appeals.[27] The compromise position of starting with average earnings and then adjusting the restriction to family size had the advantages and disadvantages of both, although in watered-down forms.

Overall, the report outlining the three proposals suggested concern with work incentives was more an issue of policy presentation and the principles to which social assistance might adhere, than addressing a particularly large problem. It was estimated that a benefit limit set at 100 percent of average earning would affect under 500 households; 12,000 households at 50 percent of average earnings and 90,000 households at 40 percent.[28] The gross number of households, however, was a poor measure of potential effectiveness, for many of those households that would be affected by a benefit limit would not have been those targeted by it. If, for example, the benefit limit was set at 40 percent of median income it was estimated 80 percent of those affected would not have had an out-of-work income higher than their expected in-work income.[29] Such households would be having their benefit restricted for no work incentive reason.

While some at the Treasury supported limiting social assistance to average wages and then adjusting for family size,[30] the Chancellor of the Exchequer was no longer convinced of a benefit limit's efficacy. Howe informed Margaret Thatcher that the 'options would be attacked as unfair and discriminatory and would require additional staff.' In this context, he argued, the 'rationale for a scheme of this kind – that it would have a broad psychological effect in helping incentives across the board – is insufficiently strong for us to act at this stage.'[31] To avoid the difficulties associated with the suggested benefit limit models, Howe's view was something broader was required than adjusting the benefit incomes of a limited number of recipients. He thought action was required to reduce levels of Supplementary Benefit, for instance, by restricting annual increases (as the 1980 social security acts had done) and holding back increases in the Supplementary Benefit children's scales rates.[32] Jenkin was scathing of this idea. He pointed to the 1979 Conservative manifesto's pledge to provide 'more effective help to those in greatest need.' He warned: 'We ought not to give our opponents any room to challenge our record on this score.'[33]

Howe suggested the introduction of a benefit limit should be revisited in the autumn of 1980, but it never was. While the idea of restricting benefit income was not pursued, concerns with work incentives continued in the context of the Fowler review of social security policy in which the focus was upon increasing in-work incomes through selective wage supplements (the replacement of FIS by the more generous Family Credit). While consideration of a benefit limit was an expression of long-standing concerns with work incentives, its introduction in 1980 was resisted by the DHSS, reflecting Lister's (1991) observation that the Treasury did not have everything their own way in 1980s social security provision, and was defeated by political concerns with its potential presentation and impacts upon families whose main income was social security benefits. In this context, further reducing the out-of-work income of the poorest households was thought to be politically unwise because of already agreed changes that were later to be described as the 'great welfare chainsaw massacre' because they demonstrated that 'benefits may not constantly expand, [and] that gains previously extended may be lost' (Mesher, 1981, p. 126).

Underpinning these concerns was the changing nature of social security provision in Britain. A review of social assistance in the mid-1970s (DHSS, 1978) had recognised a need for its simplification in the context of its mass role in social security provision, a role that would only be expanded by the changes announced to national insurance benefits in the 1980 social security acts. These changes would increase the number of claimants reliant upon means-tested benefits, thereby reinforcing both the need for simplification and the Conservative Party's pledge to support those most in need. The benefit limit was to have acted against both these. Three decades later, however, the HBC was successfully introduced, the reasons for which are discussed in the following section.

## The Household Benefit Cap

It was seen in the previous section that in the early 1980s restricting benefit income by relating it to average wages, although administratively simple, was deemed problematic because it was not 'individually fair' and would create hardship through a disproportionate impact upon 'large' families. Such an approach, however, was taken with the introduction of HBC in 2013. How might the different outcomes of 1980 and 2010 be explained?

Material differences can be highlighted. So, for example, despite both periods being marked by stagflation, the headline economic indicators suggest the economic situation was more problematic in early 1980s. The unemployment rate was rising quickly, by 22 percent between 1979 and 1980 and a further 41 percent between 1980 and 1981. In the later period, although the unemployment rate was higher (7.9 percent in 2010 compared to 6.8 percent in 1980), it was increasing at much slower rate (4 percent between 2009 and 2010 and 3 percent between 2010 and 2011). Unemployment reflected and contributed to the economic collapse of the 1980s, with GDP falling from 3.7 percent growth in 1979 to a 2.0 percent contraction in 1980. In 2010 the economy had returned to economic growth (an increase in GDP of 1.7 percent) following contractions in both 2008 (0.3 percent) and 2009 (4.2 percent).[34]

In other words, the discussion of the possible introduction of a benefit limit in 1980 came amid an economic crisis, while the HBC was announced following the worse effects of the North Atlantic Financial Crisis and when Britain had returned to albeit weak economic growth. This might suggest economic conditions are important in explaining the rejection of the benefit limit in 1980 and announcement of the HBC in 2010. This, however, should not be over-emphasised. There is not an easy relationship between economic circumstances and policy change and, of course, economic circumstances do not provide policy answers. There are various possibilities that are framed by administrative, ideological and political considerations, rather than economics alone.

Administratively, the social security system had changed significantly by 2010. It was seen in the previous section, for example, that in the early 1980s the increasing importance of means-testing acted against the benefit limit. Such a limit would have complicated the administration of social assistance when its role was being extended and at a time when it was administered by hand, because computerisation had not reached local social security offices (Margetts, 1991). As the operation of the Wage Stop until 1975 had demonstrated, it was not impossible to limit benefit payments under such administrative conditions, but a benefit limit would have been staff intensive and therefore

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expensive to administer. By the 2010s, however, Britain had a mature social assistance benefit regime that was primarily administered digitally. Like the early 1980s, social assistance in the 2010s was facing substantial change. A new, single means-tested benefit (Universal Credit) was announced in 2010 as a replacement for six such benefits – but unlike the 1980s the shift to digital administration meant the HBC would not be staff-intensive and, therefore, costly to administer. In addition, the pressure for 'hardship' provision had been reduced by the government announcing in 2010 both a reduction in funding for such provision and the passing of responsibility for it to local authorities (Grover, 2012).

Harris (1992) argues that material pressures (and one could add opportunities) can only ever provide a partial analysis. She suggests, therefore, that ideas are important in explaining policy change. In macro-terms, however, the ideas framing social security were similar in 2010 to what they were in 1980. There was ideological consistency, broadly rooted in neoliberalism, between the 1980s and 2010s, which provided a general critique of the size and scope of the state. The first Thatcher government, for example, boldly proclaimed that 'public expenditure is at the heart of Britain's economic difficulties' (HM Treasury, 1979, cited in Lister, 1991, p. 91). In 2010 the 'days of big government', the Coalition government equally boldly argued, 'are over . . . centralisation and top-down control have proved a failure' (HM Government, 2010, p. 7). Reflecting this, and, more specifically, in both periods there was a search for substantial social security savings, with which in 1980 the benefit limit was thought to not be consistent because of its need for additional administrative staff. In 2010, however, the HBC was seen as being an element in restraining spending on social security benefits.

In addition, in both periods work incentives were framed by discursive ideas embedded in the politics of resentment (see Hoggett *et al.*, 2013), notably appeals to 'fairness' between people in and out of work. Howe's view that it was 'offensive to many people to see a man out of work . . . collecting . . . any reasonable proportion of a national average wage'[35] was similar to later Prime Minister David Cameron's argument that: 'When you work hard and still sometimes have to go without the things you want because times are tough, it's maddening to know there are some people who could work but just don't want to' (cited in Jensen, 2018, p. 124). These tropes placed waged work, and the perceived role of the state in disincentivising it, centre stage by drawing upon what Young (2002, p. 482) in an analysis of late modern vindictiveness describes as the 'weak spots of [the public's] character armour.'

There were, however, differences between the two periods regarding ideas relating to relationships between what was described as 'hardship' in 1980 and work incentives, and in relation to the institutional basis of responsibility for poverty-relief. One of the last pieces of legislation the 1997–2010 Labour

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governments introduced was the Child Poverty Act 2010. Its main aim was setting targets related to the eradication of child poverty by 2020/21. It received support from the political parties later forming the 2010–15 Coalition government. It might, therefore, be surprising that the Coalition sought to introduce a social security policy that, as was pointed out by the government's impact assessment (Department for Work and Pensions (DWP), 2012), would act to impoverish 'large' families. Stewart (2011, p. 176) argues that under the Coalition government families with dependent children were no longer understood as a 'priority group for welfare spending' as they had been under preceding Labour governments and, relatively speaking, it might be argued, under the Thatcher and Major Conservative governments before them.

As was seen above, in the first Thatcher government there were dissenting voices opposed to the benefit limit, even if their concern was with how the policy would be received and administered, rather than being concerned with its substance. Some policy makers seemingly had little difficulty with the 'hardship' that a benefit limit would cause, but there were moderating voices in the DHSS and the SBC (and one or two in the Treasury) in debates about the development of possible benefit limit. They pointed to the policy and political difficulties with restricting benefit income at a time of other cuts and a manifesto commitment to deliver 'more effective help' for those in greatest need. The relationship between financial resources and 'hardship' was highlighted, even within the context of the desire to improve work incentives.

Thirty years later ideas about the relationship between financial resources and poverty had been weakened in favour of what Page (2016, p. 94) generously describes as a 'more holistic anti-poverty strategy.' While the Parliamentary Conservative Party had supported the Child Poverty Act 2010, it also argued it would focus upon the 'causes rather than the symptoms of poverty.'[36] As the Coalition government's social security green paper, *21st Century Welfare* (Secretary of State for Work and Pensions, 2010) demonstrated, work incentives were to be central to this focus. By defining wage-labour as an anti-poverty measure, those mechanisms concerned with work incentives could themselves be defined as helping to address poverty. Given Dinan's (2019) observation, noted above, that work-related activation can occur by reducing benefit levels, this was always going to be problematic for unemployed households because in this logic reduced benefit levels could be justified as being an anti-poverty measure. The 2015 Conservative manifesto made the argument. In the context of understanding waged work as being 'the best weapon against poverty', it noted that the HBC would be reduced in value to help 'reward work'.[37] As a consequence, recent British governments seemingly have had few qualms about pushing families deeper into poverty in the name of work incentives. The impoverishing effects of this were recognised in the Welfare Reform and Work Act 2016. It replaced the Child Poverty Act 2010 with the Life Chances Act 2010. In doing so, it abolished the financial measure poverty targets. This was a consequence of the Conservative government's preference for addressing what it saw as the causes, rather than the symptoms, of poverty, and the fact it had little chance of meeting the targets because of the announcement in 2015 of a further £12 billion per annum cuts to social security, which included lowering the HBC.

In such observations, continuity and change with the ideas of 1980 are visible. Change is reflected in the indifference by the 2010s to the hardship that restricting benefit income would create. There had been a move away from 'social security' to a concern with waged work, reflected, for example, in the replacement of the Department of Social Security with the DWP, structured by a 'commitment to forging and consolidating the relationship between welfare and work' (McCafferty and Mooney, 2007, p. 214). Concern about the 'welfare' of individuals has been lost to, and had become defined by, the relationship of individuals to waged work. In this context, penury became *the* mechanism to incentivise people to take such work. While the 1980s discussion of a benefit limit was informed by such concerns with work incentives, it was also tempered by a post-WWII institutional concern with social protection expressed by Patrick Jenkin and officials at the DHSS and the SBC, and some voices within the Treasury. By the 2010s this had been replaced by, as Carmel and Papadopoulas (2003) describe it, a concern with 'support' policies aimed at changing the behaviour of individuals. Such developments did not occur to pave the way for the HBC's introduction, but they helped create a policy environment which lessened potential objections to a new benefit restriction. In brief, within government there was less concern with the state's role in inducing poverty in the 2010s compared to the early 1980s. The implication was that if poverty were to be addressed, it would have to be done by institutions outside of the state in a way that maintained the incentive to work.

For working age people, the 2010's decade of 'austerity' shifted the focus from redistribution to 'predistribution'. The idea of predistribution first gained traction in Britain in the Labour Party in what can be understood as a 'weak' or 'limited' version of it (Ussher, 2012; Lansley, 2014). Then Leader of the Labour Party, Ed Miliband (2012, p. 6), for instance, argued: 'Centre-left governments of the past tried to make work pay better by spending more on transfer payments. Centre-left governments of the future will have to also make work pay better by making work itself pay'. Such ideas helped inform critiques of the so-called 'tax credit economy' (Cameron, 2006), a neologism describing attempts to incentivise work through the supplementing of low wages via means-tested cash transfers (which, as noted above, were first introduced by the Heath-led Conservative government elected in 1970). The emphasis in predistribution was upon increasing wages, rather than the state supplementing wages.

The issue of wages was raised in discussion about the possible introduction of a benefit limit in 1980. A minimum wage, officials highlighted, might appear to be 'an obvious answer' to work incentive issues.[38] They, however, also acknowledged that such a development was 'against the general thrust of Government Policy.'[39] The government's position was that to address unemployment the costs of employing workers had to be reduced. Hence, it abolished the remaining Wages Councils that had regulated wages in selective and various industries since the first decade of the 20th century.

The situation had changed by the second decade of the 21st century. Britain's first-ever National Minimum Wage was introduced in 1999 by a Labour government. Minimum wages were opposed by Conservative politicians who argued they would destroy jobs (see Michael Portillo, then Secretary of State for Employment, Employment Committee, 1995). In contrast, David Cameron, as the new leader of the Conservative Party, acknowledged in 2005 that the NMW had been a success. Central to Cameron's brand of Conservatism was the idea that while there was a need for collective responses to economic and social dilemmas, such responses did not have to be via the state (Ellison, 2011). As a weak form of predistribution, the NMW was consistent with such ideas, which shaped the announcement in the same 2015 Budget in which the HBC was reduced that the government intended to develop the NMW into a (mis-labelled) National Living Wage for workers aged 25 or over.

The combination of the increased minimum wage and the cuts to benefits, the Chancellor of the Exchequer, George Osborne, argued, would help shift Britain 'from a low wage, high tax, high welfare economy to [a] higher wage, lower tax, lower welfare country.'[40] Although because of their different distributional bases, increases in the minimum wage could not make up for the cuts to benefits, the former were held up as a means of off-setting cuts to benefit incomes by placing greater responsibility on non-state institutions (employers, in this instance) for supporting workers and their families. This, it was hoped, would have had the dual effect of increasing work incentives and reducing the responsibilities of the state.

## Conclusion

Lister (1991, p. 103) argues that the cuts to social security benefits in 1980 'might have been considerably worse than they in fact were.' We have seen in this article that, had the Chancellor of the Exchequer got his way, they could have included the introduction of a benefit limit, introduced as a work incentive measure to help reduce unemployment and wage inflation. The benefit limit, however, was rejected. The significance of this was heightened three decades later by the announcement of the HBC in 2010. This article has demonstrated the enduring concerns with work incentives that frame Britain's social security system, but also that those concerns are not enough to guarantee the introduction of policies aimed at increasing the financial incentive for people to take waged work. Cuts to benefits are undoubtedly a 'negative' form of work activation-type activity concerned with increasing the economic cost of not engaging in waged work. As such, they are sensitive to interpretations of political concerns with their presentation and possible impacts. In the early 1980s, it was not possible to overcome such concerns in a worsening economic situation and a commitment to the poorest people in the context of a shifting social security framework in which greater import was being placed upon means-testing through a concerted erosion of social insurance benefits. At the time, a further negative change was felt to be politically intolerable, especially when, in the words of Geoffrey Howe, such a policy would in any case not 'have a broad psychological effect in helping incentives across the board.'

Three decades later, and as part of a wider package of cuts to social security benefits, the HBC was successfully introduced. While there were economic and administrative differences between the 1980s and 2010s, that are likely to have an impact, the introduction of the HBC is better understood as reflecting shifting ideas about the roles of social security: for example, expressed in the development of the 'incentive paradigm' concerned with manipulating rational economic behaviours and the loss of concern with the hardship that would come with the introduction of a benefit restriction. In addition was the view that institutions other than the state – notably, employers in the case of the HBC – were better placed to address poverty through paying higher wages, which would also buttress work incentives while helping to divest the state of such responsibilities. The criticisms highlighted during the debate about the introduction of the benefit limit in 1980, however, remain. It is a policy that is contributing to poverty. The HBC leaves many households to which it is applied being unable to afford necessities, including adequate food, heat and rent (DWP, 2014a), and it only has a small impact on the waged work activity of a minority of claimants (DWP, 2014b).

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## Notes

1 The Wage Stop was introduced when the Unemployment Assistance Board was formed in 1935. It was argued it would ensure 'fairness' between income poor people who were in and out of full-time waged work. People in such work were unable to claim financial support, even if their wages were below benefit levels, while those people who were out of work might be entitled to benefits similar in level to, or higher than, wages they might earn. This was later to be described as the 'principle of "equal misery"' (*The Wage Stop. A Reappraisal*,

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Supplementary Benefits Commission, April 1974, NA AST/36/1439). It was also argued that the Wage Stop was required to ensure a financial incentive for people to do waged work in what was a 1930s restatement of the poor law doctrine of 'less eligibility' – that the 'situation [of the pauper] on the whole shall not be made really or apparently so eligible as the situation of the independent labourer of the lowest class.' (Checkland and Checkland, 1974, p. 335)

2 An arms-length government body responsible for administering Supplementary Benefit, introduced in 1966 as Britain's social assistance scheme, replacing National Assistance.

3 https://www.margaretthatcher.org/document/110858.

4 Note from the SBC to the Assistant Controllers and Assistant Regional Controllers, 16/10/1975, NA AST/36/1441.

5 Introduced in 1966, earnings related supplements were informed by social justice-related arguments about the relief of need and arguments about labour market efficiency – that higher benefits would enable better paid workers to seek work more suited to their skills, rather than taking the first available job because of a reduction in their income caused by unemployment (Micklewright, 1989).

6 *Cabinet Conclusions CC(79)18*, 25/10/1979, NA CAB/128/66/18.

7 *Incentives for Low paid. Memorandum by the Chancellor of the Exchequer*, 15/2/1980, para. 2, NA CAB/134/4444.

8 *Incentives for Low paid. Memorandum by the Chancellor of the Exchequer*, 15/2/1980, para. 3, NA CAB/134/4444.

9 *Incentives for Low paid. Memorandum by the Chancellor of the Exchequer*, 15/2/1980, para. 5, NA CAB/134/4444.

10 *Incentives for Low paid. Memorandum by the Chancellor of the Exchequer*, 15/2/1980, paras. 5 and 6, NA CAB/134/4444.

11 *Work Incentives for the lower paid. Report by officials*, paras. 10 and 13, NA CAB/134/4444.

12 *Incentives for Low paid. Memorandum by the Chancellor of the Exchequer*, 15/2/1980, para. 7(c)(iii), NA CAB/134/4444.

13 *Incentives for Low paid. Memorandum by the Chancellor of the Exchequer*, 15/2/1980, para. 7(c)(iii), NA CAB/134/4444.

14 Internal Memo, HM Treasury, 12/3/1980, NA T/227/5264.

15 The abolition of the Wage Stop was informed by policy concerns with its complexity at a time when its use was falling (*The Wage Stop and the Future Development of Social Security Benefits*, NA AST/36/1441), and by the social justice concerns of Minister of State for Social Security, Brian O'Malley. 'I do not think', he told Secretary of State for Health and Social Services, Barbara Castle, 'we can continue to operate a system which keeps some children in large families below their supplementary benefit scale rates.' (O'Malley to Castle, 26/6/1974, NA AST/36/1441). He noted there were 'strong humanitarian grounds for lifting the extra burden from the very small remaining group of hard-pressed families'. Protecting social assistance from 'abuse', O'Malley argued, should not fall on those families. (O'Malley to Chief Secretary to the Treasury, October, 1974, NA AST/36/1441).

16 Patrick Jenkin to Geoffrey Howe, 14/3/1980 (NA BN/13/605).

17 In 1974 it was split on whether the Wage Stop should be abolished. Some SBC members thought supplementary benefit 'should not discriminate against families who had the misfortune to have lower income from the wage-earner's employment than their supplementary benefit requirements.' Others felt the Wage Stop was a 'regrettable but necessary reflection of the fact that many people were unable to earn as much as their supplementary benefit entitlement, particularly if they had a large family.' (*The wage stop and the future development of social security benefits*, NA AST/36/1441)

18 SBC to the Treasury, 13/3/1980, NA BN/13/605.
19 Jenkin to Howe, 14/3/1980, NA BN/13/605. The two 1980 social security acts restricted increases in long-term benefits (pensions and disability benefits) to prices only (previously it was the higher of prices or wages); reduced by five percentage points increases in short-term benefits; abolished earnings-related supplements for social insurance benefits, and restricted strikers' families' benefits.
20 SBC to HM Treasury, 13/3/1980, NA BN/13/605.
21 Internal HM Treasury memo to Chancellor of the Exchequer, 4/7/1980, NA T/227/5264.
22 *Benefit Limit. Report by Officials*, July 1980, para. 6, NA T/227/5264.
23 *Benefit Limit. Report by Officials*, July 1980, para. 12(a), NA T/227/5264.
24 *Benefit Limit. Report by Officials*, July 1980, para. 14, NA T/227/5264.
25 Internal note to Chancellor of the Exchequer, 4/7/1980, NA T/227/5264.
26 *Benefit Limit. Report by Officials*, July 1980, para. 13(b), NA T/227/5264.
27 Internal HM Treasury memo to Chancellor of the Exchequer, 4/7/1980, NA T/227/5264.
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30 Internal HM Treasury memo to Chancellor of the Exchequer, 4/7/1980, NA T/227/5264.
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