

Cambridge University Press

978-0-521-03186-8 - An Economic History of the English Poor Law 1750-1850

George R. Boyer

Excerpt

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INTRODUCTION

The English Poor Law dates from 1597, when Parliament passed a law (39 Elizabeth, c. 3) making it the responsibility of each parish to maintain its poor inhabitants. Four years later Parliament passed another law (43 Elizabeth, c. 2) clarifying several provisions of the 1597 act. Together, these laws established “the principle of a compulsory assessment for relief of the poor . . . as an essential portion of [England’s] domestic policy” (Nicholls 1898: I, 187). They also established that poor relief was to be administered and financed at the parish level. There were no “fundamentally new idea[s] in the Poor Law Legislation following 1601,” but there were definite long-term trends in the administration of relief, especially with respect to adult able-bodied males (Marshall 1968: 11–12). The two major trends were the shift toward increased generosity for able-bodied paupers that began around 1750, and the subsequent decline in generosity that began in 1834 with the passage of the Poor Law Amendment Act.

This book examines the economic role played by the English Poor Law during the period 1750 to 1850, the years when relief generosity for the able-bodied was at its peak. It focuses on the development and persistence of policies providing relief outside of workhouses to unemployed and underemployed able-bodied laborers, and on the effect of such policies on the rural labor market. In particular, it provides explanations for the widespread adoption of outdoor relief policies in the 1770s and 1780s and for the significant differences in the administration of relief between the southeast of England and the west and north, and it analyzes the effect of poor relief on wages, profits, birth rates, and migration.

The issues raised are not new; each of them was debated by contemporary observers of the early-nineteenth-century Poor Law. The writings of contemporaries and historians who have addressed these issues can be

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divided into three schools, which I refer to as the traditional, neo-traditional, and revisionist. The traditional analysis of the economics of poor relief is derived largely from the 1834 Report of the Royal Commission to Investigate the Poor Laws. It maintains that the widespread adoption of policies granting outdoor relief to able-bodied paupers was an emergency response to the extremely high food prices of 1795, which caused real wages in rural areas to fall temporarily below subsistence. By guaranteeing workers a minimum level of income, the system of outdoor relief significantly reduced the incentive to work. In the long run, outdoor relief increased unemployment rates, lowered the productivity of workers who remained employed, and caused laborers' wages, farmers' profits, and landlords' rents to decline. Moreover, by artificially reducing the cost of children, the Poor Law increased the rate of population growth, which created an excess supply of labor and thus increased the number of relief recipients in the long run. The traditional literature offers no explanation for the regional concentration of outdoor relief or the persistence of outdoor relief until the passage of the Poor Law Amendment Act in 1834; the system simply is seen as self-perpetuating in nature.

The neo-traditional school includes John and Barbara Hammond, Sidney and Beatrice Webb, Karl Polanyi, and Eric Hobsbawm. These authors disputed the traditional literature's explanation for the widespread adoption of outdoor relief, but they agreed that the payment of outdoor relief to able-bodied males had a significant negative effect on the rural parish economy. Outdoor relief policies were adopted in response to "the collapse of the economic position of the [rural] labourer" in the late eighteenth century, but they proved to be "a wrong and disastrous answer to certain difficult questions" (Hammond and Hammond 1913: 120, 170). The neo-traditional literature maintained that outdoor relief was able to persist into the 1830s only because benefit levels were continuously reduced by parishes from 1815 to 1834.

The revisionist analysis of the Poor Law began in 1963 with the publication of Mark Blaug's classic paper "The Myth of the Old Poor Law and the Making of the New." The work of Blaug (1963; 1964), Daniel Baugh (1975), and Anne Digby (1975; 1978) rejected the hypothesis that outdoor relief had disastrous long-run consequences for the agricultural labor market. To judge the disincentive effects of outdoor relief on labor supply, Blaug (1963: 161–2) estimated benefit–wage ratios for the period from 1795 to 1825, and concluded that the typical relief scale was so

modest that it did not offer “an attractive alternative to gainful employment.” Baugh (1975: 61) and J. S. Taylor (1969: 295) argued that since rural parishes were “generally small enough to apply any relief system with discretion” (Baugh 1975: 61), the disincentive effects of outdoor relief must have been small. Finally, Blaug (1963: 164–7) and Baugh (1975: 60–3) examined time series of real per capita relief expenditures and concluded, in the words of Blaug, that “there is no evidence whatever of that most popular of all the charges levied at the Old Poor Law: the ‘snow-ball effect’ of outdoor relief to the able-bodied.”

The revisionists also provided explanations for the persistence and regional nature of outdoor relief. Blaug (1963: 171–2) maintained that outdoor relief was used to supplement “substandard” wage rates and to support seasonally and structurally unemployed workers. Seasonal fluctuations in the demand for labor were especially pronounced in grain production, and the southeast was England’s major grain-producing region. Digby (1978: 22–3, 105–7) attributed the persistence of outdoor relief to the seasonal nature of arable farming and to the political power of labor-hiring farmers, who used “their position as poor law administrators to pursue a policy with an economical alteration of poor relief and independent income for the labourer.”

The contention that outdoor relief increased birth rates also has been challenged by the revisionists. Blaug (1963: 173–4) surveyed the available county-level data and concluded that there was “no persuasive evidence” that outdoor relief caused birth rates to increase. James Huzel (1980: 369–80) tested the hypothesis using parish-level data and found that the payment of child allowances to laborers with large families did not have a significant positive effect on birth rates.

In sum, most of the hypotheses of the traditional literature have been challenged during the past 25 years. How then can I justify another study of the Old Poor Law? The present work can be justified on three grounds. First, some important issues have not been confronted by the revisionists. None of the revisionists attempted to determine when the payment of outdoor relief to able-bodied laborers became widespread. Rather, they accepted the traditional literature’s hypothesis that outdoor relief originated in response to the subsistence crises of 1795 and 1800. This suggests either that the reason for the adoption of outdoor relief policies was different from the reason for their persistence, or that seasonal and structural unemployment suddenly became a problem in 1795. Neither conclusion is satisfactory. The revisionists also have not

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[More information](#)

confronted the hypothesis that outdoor relief slowed economic growth by slowing the rate of migration from the agricultural south to the industrial northwest. The use of outdoor relief might have represented an efficient solution to farmers' seasonality problems but at the same time fostered an inefficient allocation of labor across regions.

Second, several aspects of the revisionist analysis are not well developed. For example, Blaug contended that the regional nature of outdoor relief could be explained in part by the seasonality of grain production, but he did not explain why a majority of parishes in the southeast chose outdoor relief policies over other possible methods for dealing with seasonality, such as allotment schemes or yearlong labor contracts. Similarly, while Digby maintained that the use of outdoor relief was "economical" for farmers, she did not determine the precise conditions under which it was in the interest of farmers to lay off workers. The present study develops the revisionist hypotheses into a model of the economic role of poor relief in agricultural parishes.

Third, none of the competing hypotheses concerning the adoption, persistence, and regional nature of outdoor relief has been tested empirically. This study provides such a test. I estimate a three-equation regression model to explain differences in per capita relief expenditures, agricultural laborers' annual earnings, and unemployment rates across 311 rural southern parishes in 1832. The results are used to evaluate explanations of the economic role of outdoor relief. The major data sources used are the 1831 census and the returns to the Rural Queries, a questionnaire distributed to rural parishes in the summer of 1832 by the Royal Poor Law Commission. The returns provide information on the administration of poor relief, wage rates and annual earnings in agriculture, seasonal levels of employment, and the existence of cottage industry and allotments for nearly 1,100 parishes, making them the most important available source of information on the Old Poor Law. However, they have never been fully utilized. That is unfortunate, because the testing of competing hypotheses is necessary in order to determine the economic role of poor relief.

I also provide a test of the hypothesis that child allowances had a positive effect on birth rates. Huzel's (1980) earlier analysis of the effect of child allowances is seriously flawed because it consists of a simple comparison of relief policies and birth rates, without controlling for other possible determinants of fertility. I estimate a regression model to explain differences in birth rates across 213 rural southern parishes in

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Excerpt

[More information](#)*Introduction*

5

1826–30. The regression results show that, when other socioeconomic determinants of fertility are accounted for, the use of child allowances did indeed cause birth rates to increase.

The present work is an extension of the revisionist analysis, an attempt to use economic theory to derive additional insights about the development and impact of outdoor relief policies. The rural labor market is analyzed in terms of a tool of modern labor economics: implicit contracts theory. A model of the parish labor market is postulated, which incorporates three important features of the early-nineteenth-century rural economy: the seasonality in the demand for agricultural labor, the general lack of nonagricultural employment opportunities in rural parishes, and the tax system for financing the poor rate that enabled farmers to shift part of their labor costs to non-labor-hiring taxpayers. The model portrays the problem faced by farmers in the early nineteenth century: how to maximize profits subject to the constraint that any implicit contract offered to workers must yield an expected utility large enough to keep the desired number of workers from leaving the parish.

The model contains two somewhat controversial assumptions. First, labor is assumed to be mobile. Although some historians would dispute this assumption, it is supported by recent estimates made by Jeffrey Williamson (1987: 646–7), who found that rural out-migration rates in England from 1816 to 1831 were similar to out-migration rates in developing countries during the 1960s and 1970s. Further evidence of labor mobility, and of the importance of London as a destination of rural southern migrants, is provided by Deane and Cole (1967: 106–15), Wrigley (1967: 45–9), and Schofield (1970: 271–3). The mobility of labor forced southern farmers to take London wage rates (and wage rates in neighboring parishes) into account when determining the value of the labor contracts they offered to farm workers.

Second, I assume that farmers were profit maximizers and workers were utility maximizers. In his Nobel lecture, Theodore Schultz (1980: 649, 644) stated that

poor people [in low-income countries] are no less concerned about improving their lot and that of their children than those of us who have incomparably greater advantages. Nor are they any less competent in obtaining the maximum benefit from their limited resources. . . . Farmers the world over, in dealing with costs, returns, and risks, are calculating economic agents. Within their small, individual, allocative domain they are fine-tuning entrepreneurs, tuning so subtly that many experts fail to recognize how efficient they are.

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[More information](#)

Similarly, T. S. Ashton (1955: 30) maintained that “those who controlled [agriculture in eighteenth-century England] were no less concerned than iron masters or cotton spinners to maximize their income and properties. . . . Agriculture had its peculiar features. . . . But generally, like other callings, it was ruled by the forces of the market.”

However, many historians disagree with Schultz and Ashton. Eric Hobsbawm and George Rudé (1968: 50), writing about the Poor Law, warned that

it is a mistake to apply abstract economic reasoning, however humanitarian, to a situation which cannot be understood except in its context. Speenhamland was not intended to achieve the results which . . . economists have in mind. . . . It was an instinctive escape of country gentlemen into the world they knew best – the self-contained parish dominated by squire and parson.

But surely there is no more justification in dismissing an economic interpretation out of hand than in assuming that any institution that existed must have been rational. Perhaps the Poor Law was both paternalistic *and* profitable to farmers. The proper way to proceed in research is, in the words of Joel Mokyr (1985a: 1), “to employ a priori reasoning to formulate and test hypotheses and then try our best to test these hypotheses.” This methodology is adopted in the present study. Hypotheses derived from the implicit contracts model and the traditional literature are tested using both quantitative and qualitative evidence. The results are used to determine the economic role of the Old Poor Law.

The analysis proceeds as follows. Chapter 1 provides the background information needed to understand the role played by policies providing outdoor relief for able-bodied workers. It focuses on three issues: the precise form of outdoor relief payments to able-bodied workers; the timing of the widespread adoption of outdoor relief policies; and the changes in the rural economic environment that occurred during the second half of the eighteenth century. I conclude that the adoption of outdoor relief in the southeast was a response to a decline in family income caused by the decline of cottage industry and laborers’ loss of land. Chapter 2 surveys the historiography of the Old Poor Law, from the beginning of the traditional critique of outdoor relief in the late eighteenth century to the development of the revisionist analysis in the 1960s and 1970s.

A theory of the economic role of outdoor relief is developed in Chapter 3. A model of the parish labor market is constructed and solved to

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Excerpt

[More information](#)*Introduction*

7

determine the conditions under which implicit labor contracts including seasonal layoffs and unemployment insurance (in the form of outdoor relief) were cost-minimizing for farmers. The extent of seasonal fluctuations in labor demand is a key determinant of the nature of the optimal contract. The model therefore provides an explanation for the regional nature of outdoor relief: Contracts including layoffs and outdoor relief were cost-minimizing in grain-producing areas but not in pasture-farming areas. The chapter also contains a discussion of the effect of seasonal migrant labor on the form of grain farmers' cost-minimizing labor contracts.

Chapter 4 provides a test of the hypotheses obtained from the model developed in Chapter 3, as well as several other hypotheses put forward by contemporary critics and historians. A three-equation regression model is estimated, to explain cross-parish variations in 1832 in per capita relief expenditures, agricultural laborers' annual wage income, and the rate of unemployment. The data used in the analysis were obtained from the 1831 census and from the returns to the 1832 Rural Queries. The regression results support several of the hypotheses obtained from the implicit contracts model and reject most of the traditional literature's criticisms of outdoor relief.

Chapters 5 and 6 examine the effect of outdoor relief on birth rates and rural–urban migration. Chapter 5 provides a test of the hypothesis, advanced by Thomas Malthus and adopted by the Royal Poor Law Commission, that the payment of weekly allowances to laborers with large families caused birth rates to increase. I estimate a regression model to explain differences in birth rates across rural southern parishes in 1826–30. The results show that child allowances had a significant positive effect on the birth rate. The widespread adoption of child allowances was a major cause of the increase in birth rates during the first two decades of the nineteenth century.

Chapter 6 offers a test of Arthur Redford's (1964: 93–4) hypothesis that policies providing outdoor relief to able-bodied workers slowed the rate of migration from rural southeast England to the industrial northwest. Assuming that workers' migration decisions were determined largely by the size of rural–urban wage gaps, an estimate of the Poor Law's effect on migration is obtained by determining the extent to which relief payments raised agricultural laborers' incomes above the marginal product of labor, and by comparing this increase to existing wage gaps. I conclude that even if all relief payments to able-bodied workers were in

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[More information](#)

excess of the marginal product of labor, the effect of poor relief on migration was small.

Chapter 7 examines the effect of the New Poor Law on the agricultural labor market. It focuses on three issues: the reasons why the New Poor Law was adopted; the effect of the substitution of the workhouse system for outdoor relief on grain farmers' cost-minimizing labor contracts; and the effect of the abolition of outdoor relief on agricultural laborers' annual income. I conclude that the high cost of indoor relief caused grain farmers either to adopt full employment contracts or, where possible, to evade the 1834 legislation and continue to provide outdoor relief to seasonally unemployed workers. The adoption of the New Poor Law is shown to have had little, if any, effect on farm laborers' income.

The economic role of poor relief in industrial cities is examined in Chapter 8, which presents evidence that textile manufacturers used the Poor Law as an unemployment insurance system. Workers not needed during downturns were laid off or put on short time, enabling manufacturers to shift part of their labor costs to other urban taxpayers. The hypothesis that industrial cities slowed rural–urban migration and perpetuated large rural–urban wage gaps by removing large numbers of nonsettled workers during recessions is tested. I conclude that cities followed a selective removal policy, which should not have reduced the propensity to migrate of able-bodied workers.

1

THE DEVELOPMENT AND ADMINISTRATION OF THE OLD POOR LAW IN RURAL AREAS, 1760–1834

During the last third of the eighteenth century, several changes took place in the administration of poor relief, the most important of which was the widespread provision of relief outside the workhouse to able-bodied laborers who were unemployed or underemployed. The changes in relief methods led to changes in the economic role of the Poor Law in rural parishes. A knowledge of the methods of relief that were adopted, the time when they were adopted, and the changes in the economic environment that brought about their adoption is essential for an evaluation of the economic role played by the Poor Law from 1795 to 1834, the so-called Speenhamland era.

This chapter provides the background necessary for an evaluation of the Old Poor Law. It is divided into three sections. Section 1 describes the methods used to relieve able-bodied laborers from 1780 to 1834. I conclude that the major function of poor relief was the provision of unemployment benefits to seasonally unemployed laborers. Section 2 focuses on the timing of the adoption of policies granting poor relief to able-bodied laborers. The year 1795 was not a watershed in the administration of poor relief; real relief expenditures began increasing rapidly at least 20 years before the famous meeting at Speenhamland, Berkshire. Section 3 discusses two important changes in the rural economic environment that occurred during the second half of the eighteenth century, and presents evidence that these environmental changes caused the sharp increase in real per capita poor relief expenditures. The conclusions concerning the methods of relief used, the timing of their adoption, and the reasons for their adoption are considerably different from those reached by the traditional literature. Whereas the traditional literature viewed the changes in relief methods as exogenous causes of economic dislocation, I view the adoption of outdoor relief as an endogenous response to changes in economic conditions.

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Excerpt

[More information](#)**1. The Administration of Poor Relief**

It is possible to identify six methods used by rural parishes to relieve poor able-bodied laborers from 1780 to 1834: allowances-in-aid-of-wages, payments to laborers with large families, payments to seasonally unemployed agricultural laborers, the roundsman system, the labor rate, and the workhouse system. The first five methods are forms of “outdoor” relief, while the workhouse system, which forced relief recipients to enter workhouses, is referred to as “indoor” relief.

Under the allowance system, a laborer (whether employed or unemployed) was guaranteed a minimum weekly income, the level of which was determined by the price of bread and the size of his family. According to the 1834 Report of the Royal Poor Law Commission:

In perhaps a majority of the parishes in which the allowance system prevails, the earnings of the applicant, and, in a few, the earnings of his wife and children, are ascertained, or at least professed or attempted to be ascertained, and only the difference between them and the sum allotted to him by the scale is paid to him by the parish. (Royal Commission 1834: 24)

The most famous allowance scale was that adopted by the Berkshire magistrates who met at Speenhamland on May 6, 1795. The Berkshire scale stipulated that

when the gallon loaf of second flour, weighing 8 lbs. 11 oz. shall cost one shilling, then every poor and industrious man shall have for his own support 3s. weekly, either produced by his own or his family’s labour or an allowance from the poor rates, and for the support of his wife and every other of his family 1s. 6d. When the gallon loaf shall cost 1s. 4d., then every poor and industrious man shall have 4s. weekly for his own, and 1s. 10d. for the support of every other of his family. And so in proportion as the price of bread rises or falls (that is to say), 3d. to the man and 1d. to every other of the family, on every penny which the loaf rises above a shilling. (Quoted in Hammond and Hammond 1913: 163)¹

The allowance scales were, in effect, negative income taxes “with a 100 percent marginal rate of tax on earned income below the minimum” (McCloskey 1973: 434).

The traditional literature maintained that the allowance system was by far the most widespread form of outdoor relief (Hammond and Hammond 1913: 161, 164; Polanyi 1944: 78). It was assumed that most rural parishes in the south and east, in response to the subsistence crisis of

¹For examples of other allowance scales, see Royal Commission (1834: 21–4).