

Family Allowances: A Socialist Analysis (1943)

This pamphlet should be read by everyone interested in post-war changes. It shows why family allowances will lower the workers' standards of living instead of raising them.

Sir John Anderson (Lord President of the Council) announced in the House of Commons on February 16th, 1943, that the Government had accepted the principle of State paid non-contributory children's allowances. This announcement arose from the consideration of the comprehensive plan for a reform of the social services presented in the Report of Sir William Beveridge, who has been a firm supporter of Family Allowances for a number of years. The Government's statement follows fairly closely on the decision of the Trades Union Congress to accept a recommendation of their General Council along the same lines, although it should be observed that a similar recommendation was rejected by the Trades Union Congress at Nottingham 1930.

We propose to show that this apparently philanthropic gesture on the part of the Government will not be an entirely unmixed blessing for the working population, and that the approval with which it has been received by different sections of political opinion (with the exception of the Socialist Party of Great Britain) arises in some cases from a complete lack of understanding of the nature of Capitalism, and in others from a knowledge that whatever benefits, if any, may accrue to a certain number of workers, the employers will most certainly gain on balance in the long run.

The claim that schemes for social reform can eradicate some or all of the worst evils of Capitalism has often been made in the past and just as often proved to be false. The present war has provided a fertile breeding ground for plans for abolishing the slums, establishing permanent peace on earth, removing the degradation accompanying old age and unemployment, improving the health of the workers and so on. The production of these plans should be expected at a time when many workers are extremely sceptical as to the outcome of the war in connection with their own conditions of life and wondering, in fact, if after this war things are going to be measurably better than they were after that of 194-1918.

Such an attitude is not calculated to assist at a time when maximum production is required. Sir William Beveridge affirms

“...that the purpose of victory is to live into a better world than the old world; that each individual citizen is more likely to concentrate upon his war effort if he feels that his Government will be ready in time with plans for that better world; that, if the plans are to be ready in time, they must be made now.”
(*Social Insurance and Allied services*, Report of Sir William Beveridge, p.171.)

While the Government's adherence to Family Allowances is not merely just one more rosy plan for meeting the discontents of the day by giving a promise for the future, it

can nevertheless be assumed that they had this factor in mind when assenting to this and other reform proposals at this particular time.

In support of Family Allowances advocates claim that their introduction will abolish a major part of poverty, on the ground that the principal cause of poverty is the possession of young families.

We state immediately that no scheme for social reform can remove the poverty endured by the working-class under Capitalism. The poverty of the working-class is as constant a condition of Capitalism as the never ending flow of pettifoggish schemes for the alleviation of poverty which the workers are asked to support.

Capitalism and the Workers' Wages

The basis of Capitalism is the ownership by the capitalist class of the land, factories, mines, means of transport and communication, in fact all of the means necessary to the production of wealth. This private ownership is necessarily accompanied by the production of wealth only on the condition that such production will provide a profit for the class in possession. Under such circumstances the needs of the producers, the working-class, can play little part in determining how the wealth they have produced shall be distributed: on the contrary, the tendency of capitalism has always been and will always be to keep the amount of the product received by the working-class in the form of wages to the minimum necessary to provide them with the bare needs of existence. When in the first decades of the 19th Century, the workers had no effective trade union organisations with which to withstand the attacks of their employers they were in fact reduced to degradation and in many cases utter destitution. The labour-power of the worker is a commodity which he has to sell in order to obtain the necessities of life for himself and his family, and, as with other commodities, the capitalists seek to buy it at the cheapest rate possible. Even with trade union organisation the worker can generally only wage a defensive battle against the attacks of his employers. The dice is loaded against the working-class – they must have access to the means of production in order to live, and those means of production are owned by the capitalists. In peace a constant army of unemployed offer a continual threat to the standard of living of the employed, and in a war a Labour Minister of Labour restricts the movements of large numbers of workers who, during a time of labour shortage, might seek to exploit the situation to their advantage.

How false then is the appeal of the social reformers who would remove poverty without first abolishing the system of which poverty is an essential characteristic!

On the basis of these essential features of Capitalism the Socialist Party of Great Britain was formed as an instrument for the establishment of Socialism, a system in which the means of wealth production would be owned by the community and where wealth would be produced to satisfy the needs of society as a whole. To this end the Socialist Party advocates and explains Socialism and does not, as is the case with other so-called "Socialist" Parties ask for the support of workers on a programme of reform measures.

It does not necessarily follow that reforms can never be of any benefit to the workers, although it is true to say that reforms cannot abolish the major evils of Capitalism, nor will they generally be introduced to deal with some of the minor evils except when their introduction is necessary to ensure the continued smooth running of the capitalist system. There are, however, some proposals for social reform which may be harmful in themselves, and perhaps the most obnoxious of all are those which on the surface appear philanthropic, but which in effect work towards a lowering of the already low standard of living of the working-class. We may place in this category the schemes that have been put forward from time to time for Family Allowances.

Children Are Not The Cause Of Poverty

The Family Allowance advocates claim (to quote one of the best known, Sir William Beveridge, a Vice-president of the family Endowment Society, letter to *Times* of January 12th, 1940):-

“...the greatest single cause of poverty in this country is young children.”

They further state that as industry in this country is unable to afford a general increase in wages, this poverty can only be abolished by a scheme whereby parents with dependent children would receive allowances over and above their wages. We will deal later with the assertion that industry in this country is unable to afford a general increase in wages, but we challenge immediately the statement that “the greatest single cause of poverty in this country is young children.”

Professor Colin Clark (*People's Year Book*, 1936) stated that 850,000 persons with over £500 a year shared between them a total almost as great as that which was shared between 12,000,000 people with incomes below £122 a year.

G. W. Daniels and H. Campion (*The Distribution of National Capital*, Manchester University Press, 1936) showed that 1 per cent of the persons aged 25 or over in England and Wales owned 60 per cent of the total national capital of about £14,000,000,000, or on a slightly broader basis 5 per cent owned 80 per cent of the total national capital.

Here is disclosed the real poverty of the working population, besides which the difference in the conditions of those workers with families to support and those without appears trivial and insignificant. The social chasm between the rich and poor is thrown into even sharper relief when it is recognised that the vast mass of the impoverished workers perform all the useful work of society, whilst the privileged minority can be, and generally are, idle and unproductive.

If the advocates of Family Allowances are sincere in their expressed desire to abolish poverty we would draw their attention to this, the “greatest single,” and in fact the only, cause of poverty in the modern world against which they might direct their attacks.

It is questionable, however, whether all of those who have most assiduously supported Family Allowances have been actuated entirely by a desire to improve the lot of

sections of the workers. Some years ago Miss Eleanor Rathbone, M. P., who is chairman of the Family Endowment Society, explained to some of the businessmen of the insurance world at the Annual Conference of the Faculty of Insurance that in the case of a contributory scheme for Family Allowances the burden would fall on the

“young men and the young women who nearly all are going to get married pretty soon and have dependent children, and who would be expected to make some sacrifice at the expense of their cigarettes, cinemas, and betting on football to provide for the period when the children are coming along .”

(Journal of the Faculty of Insurance, July, 1927.)

Miss Rathbone gives here an indication of quite a different problem with which some at least of the Family Allowance supporters are concerned, but it is fair to presume that as her remarks were addressed to a restricted audience she did not expect them to receive wide publicity. In passing we could remark that if Miss Rathbone considers that “cigarettes, cinemas, and betting on football” are evils in themselves it would be logical for her to campaign against them, together with, of course, wines, cigars, night clubs, jewellery and other fashionable diversions. If, on the other hand they are not evils, then the one useful class in society, the working-class, deserve as much, or as little, of them as they feel they need.

Lower Wages for the Childless?

The problem that Miss Rathbone touched upon in her address to the insurance fraternity was in fact not so much that the workers with family responsibilities do not receive enough, but, from the Capitalist point of view the much more serious one that workers without families are receiving too much! Sir William Beveridge put this argument quite neatly when he said: “We cannot in this war afford luxuries of any kind, and it is a luxury to provide people with incomes for non-existent children.” (Letter to *Times*, 12/1/40). Some years after Miss Rathbone’s address to the Faculty of Insurance she covered somewhat similar ground in evidence given at the Royal Commission on the Civil Service in 1930. She then appeared, together with Mrs. Hubback and Mrs. J. L. Stocks, as representatives of the National Union of Societies for Equal Citizenship. They were asked on February 26th (Question 8091) whether they wanted “to give family allowances in addition” to the existing pay. Miss Rathbone replied:

“It is not the business of our organisation to express an opinion whether salary rates can or cannot be raised, or whether they may or may not have to be lowered. We consider that outside our province.”

She continued (Question 8092) :

“If it were felt that it was impossible to recommend the allocation of any more money than is spent at present on Civil Service rates of pay, it would clearly be possible to provide family allowances by a small reduction in the salaries either of men or of men and women, the money so obtained being used to pay family allowances.”

We stated earlier that the labour-power of the worker is a commodity which he has to sell in order to obtain the necessities of life for himself and his family. In other words, wages must provide not only an existence for the worker himself, but also enable him to rear future generations of wage workers to take his place. It is quite logical therefore from a capitalist point of view to raise objection to a condition which in a large number of cases provides wages “adequate” to maintain children for those who in fact possess no children. If the actual statistics of population are examined it will be found that the number of workers without families to support greatly exceeds those with families. At the 1921 census (the last one at which such an analysis was made) it was found that out of each 100 male persons over 20:

60.6 were bachelors or married without dependent children
16 had one dependent child
10.5 had two dependent children
6.2 had three dependent children
6.7 had four or more dependent children

Here from the employer’s point of view is an anomaly that should be adjusted. He is paying what is to him a fair market price for a commodity and in at least 60 cases out of a hundred being cheated on the scales!

It might at first sight appear paradoxical to assert that a saving in the total national wage bill can be effected by additional payments being made to certain sections of the workers, but in the long run such a saving will result from the introduction of Family Allowances. As soon as the cost (or perhaps more truly the “alleged” cost) of rearing some or all of the workers’ children is considered by the employers to have been provided for outside of wages, the tendency will assert itself for wages to sink to a new level based on the cost of maintaining a worker and his wife, or a worker, his wife and one child as the case may be.

Children’s Allowances instead of Increased Wages

The most obvious way in which this reduction may come about is by introducing Family Allowances at a time when prices have risen instead of granting a general increase in wages to meet the increased cost of living. Sir W. Beveridge admitted this possibility when replying to a question put to him at a meeting of civil servants at Central Hall, Westminster, January 28th, 1943. He said:

“I do not see why the provision of Family Allowances should decrease salaries and wages. The possibility that they might lead to wages not going up so quickly is no reason for not providing adequately for children first.” (*Whitely Bulletin*, March, 1943.)

The recent decision of the Trades Union Congress to support Family Allowances will render it easier for the employers to give an imaginary sop to a small fraction of the workers, whilst, in fact, the large majority have suffered a setback. Where Family Allowances have been introduced in the past it has generally been at a time of rising prices. In Germany, Holland, France, Belgium, and other continental countries they were put into effect during the high price years of the last war. In Australia when

Family Allowances were granted in New South Wales in 1927, the Labour weekly, *The Australian Worker* (Sydney, October 28th, 1927), said:-

“...As a matter of fact, the Family Endowment Act – for which, in its present form the Nationalist Members in the N. S. W. Upper House are entirely responsible – is ‘manna from Heaven’ for the employers.

It is now common knowledge that if the N. S. W. basic wage had been increased, in accordance with the increase in the cost of living, the increase would have been 12s per week, or approximately an addition to the wages bill of the State of something like £13,000,000. Under the Family Endowment Act the employers’ contributions amount to £3,000,000 per annum – equal, as Industrial Commissioner Piddington pointed out, to an increase of 3s per week in the basic wage.

It is plain that, because of the adoption of Child Endowment, the employers in New South Wales have been made a present of something like £10,000,000 per annum, which they would have had to pay if the basic wage had been computed on the old basis. Industry in New South Wales can hardly be said to unduly penalised when, as a matter of fact, the employers are actually saving £10,000,000 per annum because of the change in the method of computing wages....”

During this war the Corporation of Birmingham in October, 1941, gave an allowance to its employees of 2s 6d per child *instead* of a general wage increase.

Another side of the same Capitalist problem which has exercised the minds of some of the prominent Family Allowance advocates for a number of years is the question whether the total amount paid in wages is being distributed “efficiently.” As far back as 1925 Sir William Beveridge, as a member of the Royal Commission on the Coal Industry, stated:

“...irrespective of the level of wages, we regard the introduction of a system of children’s allowances – to be paid out of a single pool, either for the whole industry or for each district that adopts it – as one of the most valuable measures that can be adopted for adding to the well being and contentment of the mining population. If the total sum available for workers’ remuneration can be kept at the present level, the allocation of a small part of this is to children’s allowances will raise the general level of comfort; if the full remuneration cannot be maintained, the harmful effects of any reasonable reduction can be largely mitigated.” (*Report of the Royal Commission on the Coal Industry* (1925) Vol.1, p.164.)

The milk of Christian charity is truly becoming very mingled with the practical necessities of self-interest!

In answer to the criticism that Family Allowances would depress wage levels, the supporters claim that while this might be true of schemes in which the allowances are paid direct to workers by employers or groups of employers (as has been the case in certain continental countries) this would not apply in the case of a State scheme. They argue that employers would not necessarily know which workers were receiving allowances and consequently would be unable to discriminate. Their case, in brief, is

that money received by numbers of workers from other sources than their employers can have no effect on wages. This claim is false. The introduction of National Health Insurance led to hundreds of thousands of black-coated workers losing their rights to full or part wages during sickness, and the catering trade is notorious for the small wages paid to waiters and waitresses who are in the receipt of gratuities from customers.

But the real issue is not that certain unscrupulous employers may seek to save out of wages amounts paid in Family Allowances, but that once it is established that the children (or some of the children) of the workers have been “provided for” by other means, the tendency will be for wage levels to sink to new standards which will not include the cost of maintaining such children.

Mr. Greenwood’s Doubts

The Independent Labour Party, who have supported Family Allowances for a considerable time, have recognised the danger of wage reduction, but claim that effective Trade Union action could overcome the difficulty. Mr. Arthur Greenwood, M. P., of the Labour Party, put a similar point of view in the House of Commons in the debate on the Beveridge Report. He said:

“For a long time, indeed from the very inception of the very campaign for children’s allowances, I had the gravest doubts about the wisdom of that policy. I regarded such payments as a possible social danger. When they were originally proposed I took the view – it is many years ago now, and I see no reason to change it in the light of the circumstances which obtained then – I felt the payment of children’s allowances might be used to undermine wages standards and thereby to perpetuate bad industrial conditions. Today however, I believe the trade union movement is strong enough to resist such efforts, with the support of the general public, who now realise that poverty breeds poverty.” (*Official Report*, February 16th, 1943, cols. 1619/20).

The obvious reply to the I. L. P. and Mr. Greenwood is that the Trade Unions should direct their energies to obtaining general rises in wages for all sections rather than accept the very doubtful advantages of Family Allowances and then vainly attempt to resist the normal law of Capitalism for wages to gravitate to the new subsistence level.

We do not accept the view that the capitalists cannot afford general wage increases. This plea has been put forward on nearly every occasion when the working-class have sought to improve their conditions or resist the encroachments of their employers, such as the struggles over the ten-hour day in the last century, and the constant disputes in the coal industry in this. In spite of whatever advances the workers may have made, the wealth of the capitalists increases and continues to increase. Even during the present war, when the wealthy complain that their incomes are being destroyed by heavy taxation, they appear to be weathering the storm with astonishing vitality. West End flats are in keen demand, auctions of fine wines bring record bids, the “Sport of Kings,” even with war-time restrictions, stimulates unprecedented prices for bloodstock. Sir Kingsley Wood (Chancellor of the Exchequer), in the House of Commons on October 1st, 1941, said :

“...if we so increased taxation that no one was left with more than £1,000 a year or his present net income, whichever was the less ... the additional yield would not exceed something of the order of £106,000,000.” (*Official Report*, col.616.)

This little bagatelle of £106 millions a year (too trivial for Sir Kingsley Wood to pick up, owing to the “very acute problems of many kinds” which it would precipitate – he did not specify what they are) would represent far more than the cost of Family Allowances. Until it has been picked up there seems no reason why the Family Allowance supporters should even consider the question whether an all-round wage increase is impracticable.

Even if we were to accept the views of those who maintain that “industry” would be crippled by a general increase in wages, it would be pertinent to suggest that an industrial organisation that cannot provide an adequate livelihood for its workers is not worth saving and should be replaced by a system wherein the community runs industry in the interest of all.

Who Supports Family Allowances?

Socialists have often been asked to support Family Allowances on the grounds that the scheme can receive the approval of all people and all parties irrespective of their political views, and that there is nothing in the scheme antagonistic to Socialism. We have already given sufficient reasons for Socialist opposition, but it is not beside the point to examine the credentials of those who have favoured Family Allowances. The supporters include the German Nazis and Italian Fascists (schemes have been put into effect in both Germany and Italy), and in this country, as was observed by the late Mr. A. A. Purcell (Secretary of the Manchester and Salford Trades Council) in 1930, 80 per cent of the prominent supporters of Family Allowances were opposed to Trade Unionism.

Mr. L. S. Amery, Conservative M. P., who supports Family Allowances, wrote as follows in a letter to *The Times* :

“If a system of Family Allowances were introduced now it would not only relieve the existing hard cases, but would afford a logical basis upon which a stand could be made against all further wage increases, except to the extent they are directly justified by a rise in the cost of living.” (*Times*, January 14th, 1940.)

Miss Rathbone, in her address to the Faculty of Insurance mentioned above, stated:

“Are any of us quite satisfied that we are not moving towards a revolution of some kind, not perhaps a Russian revolution, but a revolution which, even if it takes constitutional forms, may be the outcome of the discontent so present in the conditions of life today that when Labour gets into power with a sufficiently strong majority it will be forced by the pressure behind it into embarking on reforms, which, even if constitutional may be dislocating to the

whole basis and structure of industry? Is it not our duty as reasonable men and women to look to see whether there is no other method, and whether the family insurance is not the best method for insuring a higher standard of life among the workers (without dislocating industry and overburdening the back of industry) by simply redistributing the available resources for the remuneration of the workers and so effecting a reasonable revolution.”

Miss Rathbone thus sees in Family Allowances a means whereby a revolution can be averted and it is beside the point that she attributed to the Labour Party intentions which they themselves would probably be the first to deny. This theme is also touched upon in her book, *The Case for Family Allowances* (1940, Penguin), where she claims that the preservation of family life by means of Family Allowances may quite well be “a bulwark against certain explosive and disrupting forces. A man with a wife and family may talk revolution, but he is much less likely to act it than one who has given Society no such hostages.” (p.14.)

We are quite certain that neither Family Allowances nor any other sop offered to the workers can in the long run prevent the growth of ideas which will lead to the disruption of the capitalist system, but we take note that here again, mingled with Miss Rathbone’s professed desire to improve the lot of certain sections of the working-class, there appears a motive of quite a different order.

We would therefore ask the workers to examine the proposal for Family Allowances in the light of the foregoing remarks, bearing in mind that at best such a scheme can provide a slight and probably small improvement for a small section. Our advice to the workers is that they should not be fobbed off on the industrial field with small and doubtful gains for a comparatively small number, but that they should seize whatever opportunities may present themselves for winning improved conditions for all.

On the political field a far more urgent task presents itself than that of advocating doubtful specifics for one out of many of the aspects of the poverty of the working-class. The Socialist Party has undertaken that task of providing the workers with socialist understanding so that they may be able to use the Socialist Party as their instrument in establishing Socialism and ending for ever a system which breeds all the evils of poverty.