

Incentives, Information, and Welfare:
England's New Poor Law and the Workhouse Test

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Abstract

The Poor Law Act of 1834 sought to change the organization and basis of English poor relief policy. Central to the New Poor Law was the reduction of the authority of local parishes and the elimination of outdoor relief for the able-bodied through the use of the workhouse test. Workhouses were large, centralized institutions for housing and feeding paupers. The workhouse test was a simple administrative device: when an individual applied for poor relief, officials could make relief conditional on entering the workhouse. Two features of the New Poor Law have not received sufficient attention. First, the workhouse test was viewed by its advocates as a substitute for direct information on the poor. Industrialization and agricultural modernization had changed English society in ways that made it much more difficult to judge who was poor and why. Second, much of the cost savings and poverty reduction claimed for the new system would come in the future if at all; the New Poor Law faced the great difficulty of credibly committing to a new regime in poor relief. Some features of the New Poor Law reflect efforts to overcome those credibility problems. Our emphasis on the changing technology of poor relief poses a counterbalance to historians who have emphasized increasingly harsh attitudes toward the poor.

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I. Introduction

In 1834 England adopted a set of reforms to its poor-relief system that sought to overturn a system dating back to the time of Elizabeth I. Local parishes under the old system granted outdoor relief to a wide class of persons, including able-bodied workers, and did so in many forms, including in-kind grants, cash, and several forms of wage supplements. The 1834 reforms, collectively referred to as the New Poor Law, established large administrative units beholden to a central authority and attempted to abolish outdoor relief for the able-bodied. Central to the New Poor Law was the workhouse test. Relief officials could not refuse to grant relief to a poor person, but they could "offer the house" which meant requiring that the applicant enter the workhouse to obtain relief. Since those in the workhouse were maintained in deliberately unpleasant conditions, this was not an attractive option.

This paper offers a new interpretation of the role of the workhouse test in the New Poor Law. Our interpretation rests on two key premises, the first of which concerns the objective of policy makers. They divided the poor at a point in time into two categories: the needy and the non-needy. The former are those who require public support in order to achieve an acceptable minimum standard of living, while the latter are those who, due to superior labor market opportunities, more savings, richer families, etc., have access to sufficient resources to be self-supporting. Among the needy poor, there are two further categories: the deserving and undeserving. The deserving are those who are needy through no fault of their own, while the undeserving are needy because of some vice such as drinking or sloth. Our first premise is that the objective of policy makers was to assist only the deserving.

Our second premise concerns changes in the constraints faced by policy makers. To implement a system of poor relief which assists only the deserving requires a considerable amount of information. Officials must be able to observe individuals' current access to resources (thereby distinguishing the needy from the non-needy), and they must also know their past behavior (thereby distinguishing the deserving from

the undeserving). We argue that the violent economic and social changes that characterized the late eighteenth and early nineteenth centuries in England meant that obtaining such information became increasingly difficult.

Given the objective of assisting only the deserving poor, the workhouse test, we argue, was a natural response to the new informational constraints confronting policy makers. First, it ensured that only the needy would apply for relief. Any poor person who had an alternative source of support would rather utilize this than have to live in the workhouse. Following Besley and Coate (1992), we call this the screening role of the workhouse test. In addition, the workhouse test ensured that those who were needy were deserving. Any individual who could avoid getting into poverty would have every incentive to do so to escape the workhouse. Again following Besley and Coate, we refer to this as the deterrent role of the workhouse test.

There are other tests that administrators could impose on recipients. They could, for example, require recipients to undertake hard manual labor in public works projects. Indeed, this was the alternative chosen by British administrators in some of the colonies. Why did reformers in Britain want to erect new institutions, rather than use labor tests? We argue that the workhouse was a potent signal to the poor of a change from the more generous Old Poor Law. Such a signal was essential for the deterrent role to be effective. All of this notwithstanding, the workhouse test was not without its drawbacks and we point these out below.

Our interpretation differs from those previously advanced in the literature in its emphasis on informational changes and the informational role of the workhouse test. Existing interpretations focus largely on changes in attitudes towards the poor. Our interpretation does not rule this out, but offers an additional consideration which we believe to be important. At the very least, our interpretation of the workhouse test explains what is otherwise a puzzling fact: the workhouse was more expensive per pauper than outdoor relief. The only way it could reduce costs was to reduce the total number of paupers relieved by a great deal. Just why did reformers think that the workhouse could accomplish this?

In the next section we provide some brief background on the poor law and the adoption of the system. Section III discusses the changes in informational constraints facing administrators, and the screening and deterrence roles of the workhouse test. Section IV explains why the workhouse test was chosen rather than some other type of self-acting test. Section V discusses some drawbacks with the workhouse test. Section VI discusses how our interpretation relates to the existing literature and section VII concludes.

II. Historical Background

II.1 The Old Poor Law

The Old Poor Law was based on two principles: the administrative basis of relief was local, and those making decisions about poor relief had broad latitude in the amounts and types of relief to advance. Poor relief was a statutory right for any pauper who was deemed to be deserving. Relief was administered by some 15,000 parishes ranging in size from 30 acres to 30 square miles, and in population from several dozen to many thousands of persons (Blaug (1963:156-157)). Some parishes before 1834 used institutions resembling the later workhouses, but by the early nineteenth century most relied primarily on grants of food and other necessities, cash, and wage subsidies and employment guarantees. The Speenhamland system common in many southern English parishes during the early nineteenth century used elaborate bread-price scales to determine relief (Blaug (1963:161-2)).

Poor relief became extremely costly during the Napoleonic Wars of the late eighteenth and early nineteenth centuries. Costs continued to climb even after the peace. Poor rates rose on average by 62 percent from 1802-3 to 1832-3. These tax increases far outstripped the gross rentals from farm land on which poor relief assessments primarily fell; rentals increased by only 25 percent over the same period (Digby (1982:9)). Some contemporaries traced these high relief costs to various abuses of the system: farmers in rural areas, some argued, used the relief system to support their workers in the slack agricultural season.

Others alleged that relief was given in the forms most likely to return to the pockets of shopkeepers and publicans.¹

The New Poor Law was not a pure break with the past. The late eighteenth and early nineteenth centuries was a period of experimentation in relief practices, and the "obstinate diversity of parochial practice" led in some cases to relief based heavily on workhouses (Digby (1982:7)). Some parishes erected workhouses on their own while others amalgamated for the purpose of constructing a workhouse, taking advantage of provisions in Gilbert's Act (1782).² Opposition to the New Poor Law, as we shall see, also led to the continuation of some old practices long after 1834.

II.2 The New Poor Law

Concern with the Old Poor Law led Parliament to appoint several bodies to inquire into its workings during the early nineteenth century. The most famous, the Royal Commission on the Poor Laws, was appointed in 1832 and its recommendations formed the basis for the 1834 Act. The New Poor Law changed both the role of local authorities and the form of poor relief. The 1834 Act established a Poor Law Board consisting of three commissioners with great powers over the operation of local relief systems. The Act also established Poor Law Unions administered by elected officials called Guardians. Unions were large local units formed by combining parishes; eventually the 15,000 parishes of England were combined into some 600 Poor Law Unions. Unlike the parish vestries, the Boards of Guardians could be compelled, at least in theory, to adhere to the dictates of the Poor Law Board. At the administrative level, then, the New Poor Law

¹ Digby points out that relief costs per capita actually fell from 1816-19 to the early 1830s (Digby (1982:9)). Recent research supports the view that farmers used the relief system to supplement their workers' wages (Boyer (1985)).

² Gilbert's Act permitted parishes to form unions for the purpose of constructing a workhouse, bearing obvious resemblance to the 1834 reform.

brought about a radical degree of centralization, both at the local and national levels. The New Poor Law also attempted to restrict outdoor relief to the sick and the aged; the Royal Commission's second major recommendation was that the able-bodied and their families be henceforth granted poor relief only in workhouses, under conditions "less eligible" than the working poor. The notion of less eligibility meant to contemporaries that life in the workhouse would be less pleasant than life as a non-pauper member of the working class.³

Neither the original Poor Law Commission nor its successors, the Poor Law Board (1847) and the Local Government Board (1871), succeeded in gaining full compliance with the edicts of the central authority. The poor, not surprisingly, resisted the New Poor Law virtually everywhere in England, perceiving it quite rightly as a radical departure from the system under which they had been raised. The Poor Law Board and later the Local Government Board also encountered serious resistance from some Poor Law Guardians. Many Unions refused to reform their old workhouse or construct a new one out of unwillingness to spend additional monies. In industrial areas such as the West Riding (Yorkshire), Poor Law Unions resisted workhouse construction on the grounds that their relief system had to deal primarily with unemployment caused by cyclical depressions, a point to which we return below. Guardians retained sufficient autonomy and knowledge of loopholes to grant outdoor relief when they wished, taking advantage, for example, of their ability to grant outdoor relief to any "sick" pauper.

Table 1 summarizes the numbers on relief and costs of relief for the period between 1840 and World War I. The Poor Law Board did eventually succeed in reducing outdoor relief considerably, but never abolished it. Moreover, as critics often pointed out, the New Poor Law did not reduce the overall costs of

³ This legislation did not extend to Scotland or Ireland, Ireland's Poor Law, first established in 1838, was very similar to England's New Poor Law. Guinnane (1993) discusses the Irish Poor law.

the system.⁴ In 1865 Parliament strengthened the role of the Poor Law Union by introducing Union chargeability, which meant that all poor rates were levied on the Poor Law Union as a whole. Prior to 1865 each parish within a Union paid for the relief of its own paupers plus a share of the workhouse maintenance costs that was based on the number of paupers it had in the past (Brundage (1878:184)). MacKinnon (1987) argues that Union chargeability was an important underlying cause of the "Crusade Against Outrelief," an effort led by the Charity Organization Society (CSO) and other private groups to abolish outdoor relief — to return to the "principles of 1834." As the table shows, the New Poor Law's intentions came closer to realization after this episode than they had before.

The Poor Law remained in force in theory until the 1920s but it gradually lost its functions to other programs and bodies. During the late nineteenth century medical relief and the care of the insane became increasingly distinct from the Poor Law. Later Acts supplanted parts of the relief system with social insurance schemes.⁵ Social insurance programs differed from poor relief in that the benefits were not invested with stigma, as was poor relief, and benefits were conditioned on tests of means (as with the Old Age Pension) or situation (for unemployment or health benefits) rather than on past behavior.

III. Workhouses and the Workhouse Test

III.1 The Information Environment

The Industrial Revolution of the late eighteenth century and earlier changes in the organization of agriculture had dramatically altered the structure of labor markets and the social connections between employer and worker. As in Karl Polyani's famous account of the *Great Transformation*, paternal relations

⁴ Although, as the New Poor Law's defenders noted, the appropriate question to ask was what relief costs would have been in 1900 had the *old* system remained in place.

⁵ These innovations included the Workmen's Compensations Acts (1897 and 1906); the Unemployed Workmen Act (1905); the Old Age Pensions Act (1908 and 1911); and health insurance (1911).

between master and servant, farmer and laborer, were replaced by the impersonal market relations of capitalist and wage-laborer. Stated differently, society underwent "the displacement of 'moral economy' by political economy. The traditional rights of the poor were being eroded, and a humane relationship between men of different status and income was often replaced by a narrower cash nexus" (Digby (1982:10)). Enclosures reduced employment in agriculture and forced many of the rural poor to migrate to find work. And urban, industrial work had none of the close personal contact that had characterized the countryside: "there is far less *personal* communication between the master cotton spinner and his workmen, the calico printer and his blue-handed boys, between the master tailor and his apprentices, than there is between the Duke of Wellington and the humblest laborer on his estate."⁶ The Elizabethan system of poor relief was based on localized, discretionary relief, and presupposed that the relief applicant's circumstances and past were well-known to the locals who ran the parish relief system. As society became increasingly anonymous and market relations supplanted personal relations, the Elizabethan system became increasingly impractical. The relief system had to devise new institutions to contend with underlying social and economic changes.

Reformers also wanted to shift administration of relief to larger units, in large measure to equalize tax burdens. But officials of the new system's much larger Poor Law Unions could not hope to have personal knowledge of those who applied for relief. Thus for two distinct reasons — the violent social change that characterized the late eighteenth and early nineteenth centuries, and the independent desire to abandon parishes in favor of larger units — the Poor Law required a mechanism that could substitute for direct information on the poor. A central difference between the Old and New Poor Laws, and the main incentive argument for the workhouse test, thus turns on the problem of collecting information on the poor. Both the old and new systems had, in theory, the same objective: to provide relief at least cost to those who were both

⁶ Hobsbawm (1968:87), quoting a clergyman's description of Manchester.

needy and deserving, but to deny it to all others.⁷ However, as we argued above, cost-minimization requires identifying the needy and the deserving. The more anonymous system of relief envisaged by the New Poor Law needed to rely on broader incentive-based tests rather than assessment of each case after detailed investigation.

As we would expect, the problem of information is central to the 1832 report. The Royal Commission on the Poor Laws (hereafter "Royal Commission") notes that investigating applications to identify who was needy under the Old Poor Law was often a thankless task. Applicants resented intruding questions and the official knew that in most cases the applicant did his or her best to hide some assets or other important details. And, explicitly or implicitly, the time spent on investigating relief claims was costly. Just *how* costly, however, depends on the social context of the relief apparatus. In a parish of several hundred people the poor are likely to be well-known to those in charge of the relief systems. Members of the vestry know who does and does not have employment, who cannot work and who is simply lazy, etc.

Identifying the deserving was also important. The Old Poor Law operated on the implicit presumption that a reliable life history of each relief applicant was available to the authorities; that close proximity and life-long residence made each potential pauper's habits clear to all. Relief officials could then apply simple rules based on past and current behavior to determine who did and did not deserve relief. Those who drank would be denied relief. Those who, on the other hand, fell into poverty through sickness, widowhood, or other conditions beyond their control would be granted the amounts and types of relief required to ameliorate their condition. Some opposition to the centralization implicit in the New Poor Law was based on this loss of local

⁷ Historians have stressed other objectives, including regulation of the labor market. Cost-minimization may not be at variance with these other aims; at the least, cost-minimization is a useful maintained hypothesis.

information.⁸ Low-cost information might also be suspect, as the Royal Commission emphasized. Those who knew the poor well could profit from abuse of the Poor Law.⁹

What our evidence does show is, that where the administration of relief is brought nearer to the door of the pauper, little advantage arises from increasing knowledge on the part of the distributors, and great evil from their increased liability to every sort of pernicious influence. It brings tradesmen within the influence of their customers, small farmers within that of their relations and connexions, and not infrequently of those who have been their fellow workmen... (Royal Commission (1834:276-77)).

Information about the poor is either costly or, when not, should be viewed with suspicion.

III.2 What Was the Workhouse *Test*?

The New Poor Law, like the Old Poor Law, did not deny the needy and deserving poor their statutory right to relief. An applicant could be offered outdoor relief if the Guardians thought it warranted (and if, in theory, the individual fell within the class of those for whom outdoor relief was not prohibited). Alternatively, the Guardians could offer an applicant "the house." If the applicant declined to enter the workhouse, the Union had discharged its statutory obligation to relieve the poor. An applicant willing to enter the workhouse could be denied poor relief only if there was some clear evidence that he was not actually poor, for example, an offer of a job. The Royal Commission saw this "self-acting test" as an effective substitute for information:

If, then, regulations were established and enforced with the degree of strictness that has been attained in the dispauperized parishes, the workhouse doors might be thrown open to all who would enter them, and conform to the regulations... no agency for contending against fraudulent rapacity and perjury, no stages of appeal, (vexatious to the appellants and painful to the magistrates,) [would] be requisite to keep the able-bodied from the parish (Royal Commission (1834:264)).

⁸ Some opponents feared the New Poor Law was the first step toward a national relief system and objected to it on the grounds that a national system could not take advantage of local information on the poor (Rose (1976:42)).

⁹ This same sentiment is echoed later in connection with the Crusade Against Outrelief (Chance (1895:21-23)).

Polanyi agreed with this interpretation, although he viewed its operation as less benign: "It was now left to the applicant to decide whether he was so utterly destitute of all means that he would voluntarily repair to a shelter which was deliberately made into a place of horror" (Polanyi (1944:101-2)).

Workhouses were large, centralized institutions, built and maintained by the Poor Law Union and staffed with more or less professional employees. Workhouse advocates wanted to insure that the pauper had a less enjoyable life (was "less eligible") than another poor person who was not receiving relief. Less eligibility was accomplished not only by making workhouse inmates labor, but by enforcing a strict regime of waking hours, limiting inmates to a monotonous diet, and forbidding small pleasures such as tobacco. The idea was to provide for basic material needs while nonetheless making a self-supporting life outside the workhouse preferable to the working poor:

The cruelty of the workhouse did not reside in its material deprivation but in its psychological harshness. Indeed, the Poor Law Commissioners themselves appreciated that it was through psychological rather than material deterrence that the workhouse test would operate (Digby (1982:17)).

An important component of workhouse administration, at least as advocated by the Poor Law Board, was the "classification" or separation of paupers by age, sex, and health status. This separation was held to improve workhouse functioning and to reduce the chance of "immoral" behavior within the institution. Separation also advanced the cause of less eligibility by effectively denying family members contact with one another. The poor saw this classification as one of the chief horrors of the workhouse. One historian quotes a petition present to Parliament in 1836 by laborers who were

dismayed and disgusted beyond anything they can describe, with the idea of being shut up in one part of a prison and their wives and children in other separate parts because they are poor through no fault of their own (Digby (1982:17)).

Workhouse advocates usually saw labor as part of the discipline of the institution rather than as a means to reduce relief costs, although some Unions made heavy use of inmate labor for running the institution. The Poor Law Commissioners themselves were ambivalent on the subject of inmate labor. Using labor as

punishment for workhouse inmates would inculcate the wrong attitude toward work in those who, after all, were supposed to one day leave the institution and become self-supporting workers (Crowther (1981:196-7)).

Per-pauper costs for outdoor relief were much lower than for indoor relief. Outdoor relief grants were normally not given unless the person had other resources; that is, they were not intended to be the pauper's entire support. In addition, the workhouse was a large, permanent institution, implying construction and maintenance costs as well as a staff. The difference between per-pauper outdoor and indoor relief costs varied over time and from place to place. Rent and wages being large components of workhouse costs, they were especially expensive in cities. MacKinnon estimates that outdoor relief costs in the late 1860s averaged £2.5 to £5.5 per pauper per annum, while indoor relief costs (*excluding* salaries and other fixed costs of running the workhouse) averaged £5.5 to £20 per pauper per annum (MacKinnon (1987:608)). She and others have emphasized the Poor Law statistics prior to the 1860s are very sketchy, but what is available shows similar differences in the costs of outdoor and indoor relief. In 1840, for example, each indoor pauper cost between 1.7 and 3.4 times as much as each outdoor pauper.¹⁰

III.3 The Workhouse Test: Deterrence

In using the phrase "deterrent workhouse" the historiography of the New Poor Law usually means simply that a more harsh poor relief system would lead to fewer applicants for relief. We use the term here in a narrower sense. Deterrence refers here only to the effect on behavior of potential paupers who increase their attempts to avoid poverty because of the workhouse test. The difference in the well-being of an

¹⁰ Calculations from official Poor Law statistics as reported by Williams (1981, Tables 4.5 and 4.6). The lower-bound figure comes from treating the cost of indoor relief as "in-maintenance" only. The upper-bound figure adds to this cost, for indoor paupers, the costs of salaries for workhouse officials, charges for workhouse construction and maintenance, etc. Neither figure is exact because of reporting deficiencies and because the upper-bound figure necessarily includes charges for the maintenance of mentality ill persons and other items that are not strictly indoor relief. Given the available figures, no more refined estimates for England and Wales as a whole are possible.

independent laborer and an indoor pauper is a measure of the incentive to avoid ending up in the position of the latter. This use of the term accords with that of the authors of the 1832 Report and leaders of the later Crusade Against Outrelief: if individuals become poor at least in part because of decisions they make with respect to poverty-reducing investments (savings, work skills, etc.) — and Chadwick, Senior, and others clearly thought so — then the number of paupers at any one time reflects, in part, the generosity of relief.

As the Royal Commission put it,

Wherever inquiries have been made as to the previous condition of the able-bodied individuals who live in such numbers on the town parishes, it has been found that the pauperism of the greatest number has originated in indolence, improvidence, or vice, and might have been averted by ordinary care and industry (Royal Commission (1834:264)).

By tailoring relief to give the poor better incentives to avoid poverty, the New Poor Law could actually *reduce* the incidence of poverty.

Deterrence is a *dynamic* concept: the workhouse test would reduce pauperism only by inducing the poor to change their behavior and so reduce their *future* dependence on the poor relief system. Thus to the extent the New Poor Law reduced pauperism in its first few years, the reduction may have little to do with deterrence in our sense. Not surprisingly, much debate about the efficacy of the workhouse test in practice turns on disagreements over how well it served as a deterrent in our sense.

Central to the deterrent function of the test was the idea that relief officials could not know with certainty whether a given applicant had tried hard to avoid poverty. Distinguishing the deserving from the undeserving applicant required knowing whether he or she had in the past exercised ordinary care and industry. Rather than attempt complete life histories of each applicant the workhouse test simply gave the working poor a strong incentive to increase their efforts to avoid poverty. Two implications of this view are developed and illustrated below.

Deterrence via the workhouse was not an ideal solution. First, the workhouse had a cost in so far as it reduced the ability of resident paupers to search for a self-supporting opportunity. This implies a poverty

trap; the form of relief made it more difficult to escape from poverty. Second, directly reducing the level of poor relief — simply cutting outdoor relief grants — would have been a more cost effective way to affect incentives to invest in poverty reducing investments. This was not possible, given the implicit constraint that no person be allowed to starve, a constraint which also explains the New Poor Law's emphasis on making the workhouse *psychologically* unpleasant. The workhouse's peculiar genius was its ability to keep people alive but make them wish they were elsewhere. Third, the workhouse test was inferior to one which was sensitive to the attempts individuals made to avoid destitution. A blanket application of the workhouse test makes sense only when such information is not available. The New Poor Law initially recognized this fact when it spared widows and the infirm from the workhouse test, recognizing that poverty in this case was unlikely to be related to some past investment which was not undertaken.¹¹

III.4 The Workhouse Test: Screening

A second function of the workhouse test was to screen the "truly needy" from those who simply did not want to work or who wanted to enjoy a higher living standard at the community's expense. The workhouse's advocates clearly viewed the test as a screen that was preferable to actually investigating the histories of relief applicants.

The offer of relief on the principle suggested by us would be a self-acting test of the claim of the applicant.

By the means which we propose, the line between those who do, and those who do not, need relief is drawn, and drawn perfectly. If the claimant does not comply with the terms on which relief is given to the destitute, he gets nothing; and if he does comply, the compliance proves the truth of the claim namely, his destitution (Royal Commission (1834:264)).

¹¹ Peter Mandler has pointed out that however much the Royal Commission might have believed in deterrence in this form, there were others who did not believe the Poor Law could have any effect on the working poor. To them, the workhouse was simply a way to keep paupers alive and to separate them from the rest of society.

Screening, in contrast to deterrence, is essentially *static*. The workhouse test distinguishes those who are needy from those who are not needy *at a point in time* and does not, therefore, pertain to the Poor Law's efforts to alter the characteristics of the working poor. In the first few years after the New Poor Law's enactment, most of the reduction in applications should be traced to the screening function (since the non-needy now knew they stood no chance of outdoor relief) rather than to deterrence in the sense outlined above. The same applies to the reductions in outdoor pauperism achieved immediately after the Crusade Against Outrelief.

Screening is necessary only because obtaining information on the state of the poor required costly and potentially acrimonious and fraudulent investigation. The workhouse test dispensed with all investigation. By accepting or declining the workhouse, the applicant in effect told the Guardians whether he or she was needy. This might be particularly important in cases where the relevant information might actually be beyond the knowledge of the applicant. Asking a pauper's relatives whether they were willing to support him or her might bring a predictable response; but putting such a person in the workhouse would bring forth a more honest reply:

It is, I believe, within the experience of many Boards of Guardians, that there are persons who, while in prosperous circumstances, readily permit their aged relatives to receive out-relief, an offer of in-door relief is frequently found to put pressure upon them to rescue themselves, if not their relatives, from the discredit incident to the residence of the latter in the Workhouse (Royal Commission (1834:188)).

IV. Why the Workhouse Test?

On the face of it the workhouse test appears to be a rather cumbersome instrument for accomplishing its objectives of a decent provision for all deserving paupers. First, the workhouse test required a huge investment in infrastructure before the program could be properly implemented. Second, as Mackinnon (1988) has shown, it was more expensive (per pauper) than granting outdoor relief. Third, it would seem

more cost effective to provide incentives to avoid poverty by reducing the generosity of the relief granted rather than imposing the test. British colonial administrators relied on rural public works without the formal structure of workhouses to provide famine relief. Why was this option not pursued at home?

The workhouse had one simple advantage over other forms of tests, and over a simple reduction in the generosity of relief grants. Since its unpleasantness was primarily psychological, as noted above, the workhouse was consistent both with the harsh treatment of paupers *and* a policy designed to make reliance on relief quite undesirable. That is, only through a device such as the workhouse test could the Poor Law both be harsh and accomplish its basic function, preventing starvation.

There are, however, several additional reasons why building imposing workhouse structures was important to the objectives of the New Poor Law. They stem from the need to convince the population that the policy regime ushered in by the new poor law was really different. Workhouses were not only expensive to build and staff, each pauper in them cost more than the typical outdoor relief grant. Some of that cost might be recouped in screening from the day the system was established, but much of the deterrent benefit would come in the future, if at all. The government might find it worthwhile to threaten a future draconian policy toward the poor in order to reap the advantages of deterrence today, but then not actually implement the program and so save the additional cost of that program. In other words, the government faced an important time-consistency problem.

The introduction of the New Poor Law caused riots and other forms of civil disturbance in much of England.¹² The working classes argued in effect that the old system was one of their rights, and they resisted the deprivation they saw in the new system. The violent reaction to this change reflects one of the dynamic

¹²Worker resistance to the New Poor Law often focused on the workhouse structure itself. Efforts to burn the new workhouse were a common form of anti-Poor Law violence (Snell (1985:135-136)). Often the Poor Law Guardians had to provide guards for the structure both during and after construction; for examples, see Digby(1978:220).

problems inherent in the deterrent function of the workhouse test. The workhouse test was intended to alter some day-to-day behavior, such as willingness to work. This aspect of the deterrent function takes effect quickly; there is no reason why a lazy man cannot commence work upon denial of outdoor relief. But much of the behavior the workhouse test sought to deter was, by the admission of even the new system's advocates, life-long. A relief policy might be able to deter a twenty year-old from marrying young, and from not saving. But for a fifty year-old the change in rules amounts to punishment for behavior he cannot now change. Thus much of the deterrent function was lost on those beyond early adulthood at the time of the New Poor law's introduction. What these older people experienced, instead, was a pure reduction in their well-being. On the other hand, the authorities could hardly treat middle-age worker in 1834 with relative kindness and still expect that the younger workers, those whose behavior they hoped to alter, would really believe that the system had changed. Henry Longley, a Poor Law Inspector and influential figure in the Crusade Against Outrelief, was well aware of the problems associated with such regime shifts:

It has always appeared to me that the poor have good reason to complain when, having been induced, and, as it were, educated, by the practices of a Board of Guardians, to rely unduly upon Poor Law relief, a sudden and abrupt change of practice alters the position in which they have been placed... due warning should be given of an change in the rules on which relief is administered (Longley (1874:146-7)).

This, more generally, represents a dilemma. When a new policy regime is introduced which requires credibility to function, then it may be difficult to grandfather the policy so as to protect those whose behavior and expectations were shaped by an earlier regime.

This problem suggests a signalling argument for why the workhouse test could enhance credibility.¹³ By building a workhouse, the government could demonstrate to the poor that it was, in fact, serious about a new regime in poor relief. *Tough* governments that are really committed to reform of the poor law find it worthwhile to offer the house; *weak* governments do not. Tough governments may then want to distinguish themselves from weak governments through constructing workhouses. For workhouse construction to serve as signalling device, it must be true that weak governments find their construction costlier at the margin than tough ones.¹⁴ This might be true because workhouse construction crowds out other government programs, for a given budget, which are valued more by the weak governments. Apfel and Dunkley make precisely this argument in their study of the Poor Law in Bedfordshire:

... Bedfordshire's spanking-new workhouses, dotting the landscape with their 'immense size,' stood as highly visible monuments to the frustrations of ratepayers with the social-legal obligation of public charity and to the resolve of authority (in its various forms) to maintain social discipline... (Apfel and Dunkley (1985:53)).

The signalling argument also explains why reformers rejected the use of buildings that existed prior to the implementation of the New Poor law. Many Poor Law Unions had at their disposal, after amalgamation of

¹³There is a second argument based on the idea of capital as commitment (see, for example, (Dixit (1979))), so that government incentives are altered *ex post*. Workhouse construction entailed at least some sunk cost; each building was designed specially for this use, and would require substantial modification to be used for commercial, industrial, or residential purposes should the Poor Law authorities decide to sell it. If incurring this sunk cost made the marginal cost of indoor relief less than the marginal cost of outdoor relief, then workhouse construction itself would have made the New Poor Law credible simply by changing the Poor Law officials' *ex post* incentives to grant indoor relief. Perhaps this is what D.G. Adey, the first assistant Poor Law commissioner for the county of Bedfordshire, had in mind when he claimed in 1835 that "the 'mere extent' of accommodation in union workhouses was sufficient to intimidate the labouring poor." As MacKinnon has shown, however, the marginal cost of indoor relief was higher than the cost of outdoor relief. The workhouse could not have enhanced credibility in this way. In fact Mackinnon's estimates are not strictly marginal cost, which is the figure of interest to this argument. Her "inmaintenance costs" per pauper include all workhouse costs other than buildings and salaries and so are, strictly speaking, a portion of average variable costs. Marginal cost would probably be less, but it is doubtful that it could be any less than the .05-.1 per week typical of outdoor relief grants at mid-century.

¹⁴See, for example, Kreps (1990) chapter 17 for an account of the formal structure of such models.

parishes, several older institutions that could have served as buildings for housing the poor. But the Poor Law Commissioners, after some initial indecision, insisted on construction of a large, new, central workhouse that would house *all* indoor paupers in the Union. The central institution was at some level counter-productive, since the Poor Law also wanted to physically separate different classes of persons within the institution. Yet a new edifice would more effectively signal the government's toughness:

It was plain that one building would be a more potent symbol of the new law than a series of familiar parish poorhouses. The essence of the single workhouse was its novelty, its mystery, and its formidable appearance... This new construction, which in many rural unions would be the largest public building, was bound to have a powerful effect on the local population. Thus the Commissioners accepted that the large *single* building was itself an essential part of deterrence (Crowther (1981:40)) (emphasis original).

The signalling argument also explains in part why the Royal Commission did not favor other "tests," such as the labor test in use in some parishes at the time of the Report. Forcing paupers to pick oakum or break stones to receive their relief was a form of less eligibility, but it did not involve any large, obvious expenditures that enabled the government to signal a regime change: there was no reason why one Poor Law administrator could not impose the labor test today and another administrator revoke it tomorrow. The investment in workhouses, while second best, signals a change in poor law policy, encourages poverty reducing investments, and reduces the cost of poor relief.¹⁵

V. Problems with the New Poor Law and the Workhouse Test

Few opponents doubted the efficacy of the workhouse test to screen the needy from the non-needy or to encourage poverty reducing investments in theory. Debate over the workhouse focused on several

¹⁵ Labor tests also suffer from an unrelated drawback: they cannot be used to screen the non-able-bodied who might have assets. This was not an issue with the original New Poor law, since the outdoor relief restrictions were aimed at the able-bodied and their families only. But during the Crusade Against Outrelief the workhouse test was applied to aged and disabled people with the intention of forcing them to reveal assets or to get their relatives to care for them.

potential limitations. The first was the magnitudes of the relevant elasticities. How much could *any* Poor Law affect savings behavior, or drinking? The deterrent abilities of poor relief programs are an inherently empirical question, one that lies today at the heart of many efforts to reform welfare programs.¹⁶ The debate was particularly active during the Crusade Against Outrelief in the 1860s. A second important problem with the workhouse test concerned the identity of those whose behavior the Poor Law sought to change, versus those who would suffer because of the new policy. Longley advocated the workhouse test for nearly *everyone*. Consider his opposition to outdoor relief for widows with children. The widows themselves could be prodded to work, he claimed. And if married men knew the Poor Law would provide for their families, they would be less likely to buy insurance, join benefit societies, etc. (Longley (1874:183,185)). Longley makes a similar deterrent argument against outdoor relief for deserted wives: "The habitual grant of out-relief to applicants of this class, especially among the Irish residents in London, is very generally believed to encourage and facilitate the desertion of their wives and families by husbands" (Longley (1874:187)). Deterrence related to families and family-formation behavior can amount to punishment of some who have no say in the behavior of those whose behavior is supposedly subject to deterrence.¹⁷

A third limitation to deterrence formed the focus of much opposition to the New Poor Law in its early years. Poor Law Unions in some northern industrial regions refused to build workhouses. Relief authorities there contended that poverty in their areas was due to recurring trade depressions and not to laziness or drink on the part of their workers. In normal times few would apply for relief; and in cyclical downturns large numbers of workers would be out of jobs and applying for relief. How would the workhouse test function

¹⁶This is equally true in modern debates about the reform of welfare programs. See, for example, the discussion of the impact of workfare programs on teenage child bearing in Ellwood and Summers (1986).

¹⁷ Similar logic applies to Malthus' famous complaint that the Old Poor Law encouraged "early and improvident marriage" by providing laborer's allotments and child allowances. Boyer provides econometric evidence that these policies actually did serve to increase birthrates in the English counties that had relatively generous allowances (Boyer (1989)).

in these circumstances? If trade depressions really were the cause of poverty, and if these depressions really were beyond the power of English workers, then the workhouse test has little deterrent effect.¹⁸ The observation that much urban poverty was caused by unemployment and not by the behaviors the New Poor Law sought to deter was a sustained and intellectually coherent basis of opposition to the rigid application of the workhouse test.

A fourth problem is the obverse of the workhouse's efficiency in imposing unpleasantness: it could run up against a fundamental tenant of the English relief system, which was voluntary participation by the poor. If the workhouse is sufficiently awful to screen out most of the lazy, it be may be so awful as to lead some of the more proud or more independent to prefer death by starvation. Starvation by paupers unwilling to enter workhouses became, in fact, a stock anecdote in many attacks on the New Poor Law.¹⁹ Although many such instances might have been imagined, some doubtless occurred, and they underscore the limits of screening in a legal environment which did not support the idea of forcing the poor to accept relief.

A fifth problem with the new system turns on the credibility issue. The New Poor Law appeared to be hamstrung by the need to rigidly interpret its rules. The idea that rigid rules may serve a role in the face of time-consistency problems is due to Kydland and Prescott (1977). The New Poor Law did indeed lay down a centrally administered collection of regulations with inflexible rules for Guardians to follow, and insisted that the Poor Law Guardians always and visibly adhere to these rules. In Longley's words,

...it is one of the main objects of Poor Law administration to discourage the formation by the poor of improvident habits. This work must be gradual, and its success must mainly depend upon the general conception which the poor form of the attitude towards them of the administrators of the law. This attitude receives expression from, and is formulated by the

¹⁸ This aspect of the discussion turns on the question of whether there is true involuntary unemployment. If so, then the only deterrent effect would be if workers were induced to save more to tide them over bad periods, or to migrate. Industrial employers clearly did not want their workers emigrating from the area whenever there was a downturn in the economy.

¹⁹ Snell (1985:133) discusses some examples related to aged paupers.

enunciation of rules of practice, which convey to the poor with clearness, with precision, and, above all, with certainty, the measure of their relations with the Poor Law.

The general, and what may be termed the *anticipatory* reliance of the poor upon legal relief, will, I believe, be found to vary in direct proportion to the uncertainty which is permitted to prevail among them as to the terms on which it may be obtained. That which an applicant does not know certainly that he will not get, he readily persuades himself, if he wishes for it, that he will get; and the poor, to whom any inducement is held out to regard an application for relief as a sort of gambling speculation, in which, though many fail, some will succeed, will, like other gamblers, reckon upon their own success (Longley (1874:144)) (emphasis original).

This concern to establish and to protect a reputation underlies some of the fanatical opposition to outdoor relief evidence during the Crusade Against Outrelief. Only if *no* Poor Law Union granted outdoor relief would all poor people truly believe that the system had been changed for good.

Credibility problems also explain the desire to administer the system from London. This degree of centralization was radical for its day. Few other domestic government functions in mid-nineteenth century England were effectively run from London. Some parishes resisted the formation of Poor Law Unions, and some Unions resisted construction of a workhouse and other actions required under the new law. Many Poor Law Unions, however, went ahead and built their workhouse without complaint. We have seen that even prior to the New Poor Law some Unions had been formed under Gilbert's Act. Was the central Poor Law authority redundant in such cases, simply telling locals to do what they would have done otherwise? No — the national legislation and authority backing the workhouse test added to the credibility of the commitment each local Union had made to its poor. In theory, should any Board of Guardians begin to grant outdoor relief to the able-bodied, the national authority had the right to compel it to mend its ways. The power of the central authority stripped local officials of their power but enabled them to carry out a dramatic reform:

A few landlords insisted on their right to discretion in the administration of relief... but the vast majority were content *not* to have this discretion.... Time and again, the landlord chairing a Board of Guardians would call on the central commission to enforce a uniform rule on his refractory colleagues. Some would go so far as to bludgeon their subordinate Guardians into *thanking* the central commission for overruling them. Many a Board passed resolutions

congratulating the commission for freeing them from "local prejudice;" that is, for freeing them from self-determination by means of a national and uniform rule (Mandler (1987:156)).

By giving up some of their power, local reformers obtained the ability to make a commitment to the new system.

VI. Our Model and the Historiography of the New Poor Law

As we argued at the outset, our interpretation of the new poor law focuses on a change in the environment precipitated by a change in the underlying production relations.²⁰ An alternative view is that the New Poor Law was a symptom of changing attitudes towards the poor. Several historians have taken this route, although in different ways (e.g. Himmelfarb (1983); Thompson (1963)). According to this view society's tastes for supporting the poor changed in ways that were eventually reflected in poor law legislation. This view may well explain the desire for some type of reform, probably harsher on the poor; but it does not explain the selection of the workhouse test as the centerpiece of the reform. Our view explains the selection of the new administrative system in a way the historiography has not.

Our information-based argument also accords well with discussions of the New Poor Law's political economy. Many accounts of the New Poor Law treat the creation of Poor Law Unions and the workhouse test as logically distinct innovations. They were not, as we have argued; simply moving to the large Poor Law Union in the 1830s reduced much information on the poor. Understanding the close connection between Union and workhouse supports Mandler's interpretation of the New Poor Law as driven by landlords who wanted to assert control over local affairs (Mandler (1987)). Mandler emphasizes essentially social and political reasons for landlord interest in poor reform. There was also a direct fiscal reason. Poor rates were

²⁰We are not directly concerned with attacking or defending any of the different positions historians have taken on the reasons for and consequences of the New Poor Law (see, for example, Brundage (1978); Crowther (1981); Digby (1972,1982); Williams (1981); Snell (1985); Mandler (1987)).

levied on buildings and land, and paid by the occupier rather than the owner of such property. Landlords, as suppliers of the least elastic factor of production, would almost certainly bear the brunt of the poor rates' *final* incidence. There were several reasons to create Unions, including the need for a larger rating basis for the new workhouses and the desire to equalize ratings across wealthier and poorer parishes. Yet Mandler's analysis suggests a more subtle reason for amalgamation. A large English estate could encompass several dozen parishes. Few landlords could sit on each parish vestry, and few would want to incur the expense of sending a representative to each meeting of each parish:

The fact is that country gentlemen — substantial proprietors — did not have much to do with the administration of relief under the old poor law. The unit of administration, the parish, was too small to concern them, and the case-by-case scrutiny usual in the dispensing of relief made the job of oversee of the poor too tedious even for their more respectable tenants (Mandler (1987:133)).

Keeping an eye on the Old Poor Law would require great efforts from a wealthy landlord. Yet reliance on Unions meant giving up the detailed knowledge of the poor and their condition that came with close contact between the poor and those on the parish vestry. The methods of the Old Poor Law were only consistent with parochial administration. The New Poor Law could not have reduced local autonomy and enhanced landlord influence without the adoption of the workhouse test.

VII. Conclusions

The Poor Law lost most of its functions during the early twentieth century and was formally abolished shortly after World War II. In its place arose a vast welfare state. The transition from poor relief to social insurance and the welfare state doubtless reflects many changes in social attitudes, and perhaps the nature of poverty itself. Yet our argument suggests a component in this shift that has received little attention in the historiography: information on those seeking benefits. The New Poor Law was designed to do away with the need to undertake expensive, intrusive, unreliable investigations of a pauper's condition and background.

Later, social insurance schemes took advantage of the fact that with changes in the organization of work, methods of saving, changes in the family, etc., most conditions directly relevant to an individual's economic status (such as a work history or contributions to an insurance fund) can be documented at relatively low cost.

The New Poor Law's creation and demise thus reflect two transformations in English society and the English economy. The Old Poor Law became impractical to administer when having adequate information on the poor entailed keeping poor relief at a parochial level subject to abuse and fraught with large differences in wealth and levels of pauperism. As English society became more anonymous — or to adopt Polanyi's language, as market relations replaced personal relations — the basis of Poor Law administration had to become a device so impersonal that it could be operated by officials who did not even know the pauper in question. The New Poor Law, a relatively short-lived program between parochial relief and the welfare state, can be explained as economizing on the need for information during a period when the information was no longer available on personal, local, bases, and not yet available on a bureaucratic basis.

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Table 1

English Poor Relief, 1840-1914

Year	Number on Relief Per 1,000 Population		Index of (Nominal) Expenditures (1840=100)		
	Indoor Relief	Outdoor Relief	Indoor Relief	Outdoor Relief	Per Capita
1840	11.0	66.0	100	100	100
1850	7.0	50.4	113	108	103
1860	5.1	35.3	113	98	93
1870	6.4	37.7	186	124	118
1880	6.3	22.9	218	92	107
1890	5.8	18.7	235	84	115
1900	5.9	15.7	315	92	123
1910	7.8	15.2	416	114	140
1914	7.0	10.6	432	83	139

Source: Official sources, after Williams (1981: Appendix A, B)

Notes: Indoor relief expenditures *exclude* construction costs and staff salaries. Williams emphasizes a number of definitional ambiguities and inconsistencies. See MacKinnon (1988) for detailed discussion of Poor Law statistics.