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*Making Britain Work Again: Unemployment and the Remaking of British Social Policy in the Eighties**

On a Monday morning in May 1985, officials across Whitehall found the following minute from Margaret Thatcher's office in their in-tray: 'During the course of the weekend, the Prime Minister was again struck by the co-existence of very high levels of unemployment ... and the shabbiness of cities and motorways. She feels Ministers must look again at schemes such as Workfare, Benefit Plus, restructuring the Community Programme, and other incentives to encourage the long term unemployed to seek work which would ... both provide work for the unemployed and allow derelict sites to be cleared and public places tidied up'.¹ Dispatched to no fewer than ten government departments, the minute highlights how preoccupied Thatcher was with unemployment halfway through her second term. This was for very good reasons: having more than doubled since the Conservatives had taken the reins in 1979, the unemployment count stood at more than 3.3 million in 1985 and showed no signs of falling. Beyond testifying to profound concern, the note also draws attention to the numerous initiatives the government discussed at the time to deal with unemployment as a social problem. Thatcher's Cabinet clearly did not expect the trend to reverse itself without intervention. Finally, the note provides a clue to what Thatcher and her administration regarded as a key obstacle to reducing unemployment. By drawing attention to the need to create 'incentives to encourage the long term unemployed to seek work', the Prime Minister implied that those out of work lacked sufficient motivation to do so for themselves.

With its scepticism about the capacity of existing social programmes to reduce unemployment, this note shines a light on the Thatcher era as a turning-point in British social affairs. By demanding new measures to increase 'incentives' for the unemployed to return to work, the Prime Minister implied that people who were out of work bore responsibility for their lack of paid employment. Reducing unemployment, the note indirectly argued, required policies that held those out of work to account for their employment status. This approach to unemployment as a social problem signalled a departure from post-war social policy. Since 1945, the prevention of poverty had been the *leitmotif* of the

* I would like to thank seminar audiences in Cambridge, Munich and Eichstätt for their critical input. I have also greatly benefited from generous advice and support from Jim Tomlinson, Martin Geyer and Stephan Lessenich.

1. The National Archives [hereafter TNA], PREM 19/1569, minute, Andrew Turnbull to David Normington, 20 May 1985.

expansion of the welfare state, promoting a concept of social citizenship that established strong individual rights to material protection, which was to be provided by the state. As T.H. Marshall famously argued in a seminal lecture in the 1940s, an 'egalitarian principle' that would narrow the gap between 'the more and the less fortunate' was the ideal of progressive social policy.² Although they assigned different priorities to poverty prevention after the Second World War, both Conservative and Labour politicians conceived of the unemployed as victims of economic problems who deserved state support. Thatcherite Conservatives, by contrast, regarded the unemployed themselves as a prime economic problem for supposedly refusing to take up paid work. Rather than emphasise the state's role as a provider of material protection against the social risk of unemployment, Thatcher's government employed public resources to push those who were out of work back onto the labour market. Conservative governments of the Eighties espoused a new form of social citizenship that emphasised a person's public duty to work.

British unemployment policy in the Eighties provides an early example of the state's shift from the established provision of social security towards a model that assigned new rights and duties to millions out of work, largely within the space of a decade. Although the political remaking of social citizenship over the past thirty to forty years is only now emerging as a field of historical inquiry, it has already attracted considerable attention in the social sciences. The sociologist Stephan Lessenich has argued that the state has achieved a fundamental 'redefinition of the social' in recent years by altering 'the relationship between public and private responsibilities'. Lessenich has been particularly struck by a protracted drive to recast social security systems in ways that require individuals to adopt a more active role in anticipating and confronting social risks including sickness, old age and unemployment.³ While Lessenich views these developments as part of a wider 'neosocial' trend that is fuelled by manifold cultural, political and economic motivations, a more prominent interpretational strand in the social sciences has preferred to label them as 'neoliberal'. According to the political scientist Wendy Brown, recent decades have witnessed the rise of 'a peculiar form of reason that configures all aspects of existence in economic terms'; this has resulted in increasing numbers of individuals who find themselves in social situations that are governed by the market rationales of supply and demand. This fundamental normative transformation, to which Michel Foucault drew attention as early as the late Seventies, has exposed individuals to considerable

2. For the classical definition of social citizenship as a set of social rights and duties, see T.H. Marshall, 'Citizenship and Social Class', in his *Citizenship and Social Class and Other Essays* (Cambridge, 1950), pp. 1–85, esp. 46, 56.

3. S. Lessenich, *Die Neuerfindung des Sozialen: Der Sozialstaat im flexiblen Kapitalismus* (Bielefeld, 2013), pp. 73–128.

pressure to conceive of themselves as members of the species *homo oeconomicus*, who position themselves within market contexts. Social scientists from varying disciplines have claimed that an 'entrepreneurial self', concerned primarily with opportunity maximisation, has come to provide an ideal typical identity to be emulated far beyond immediate business contexts. State institutions, social scientists have repeatedly emphasised, have played central roles in promoting such identities. Indeed, it is the involvement of state institutions in the imposition of market rationales on the citizenry in many spheres of life that, in the eyes of numerous scholars, distinguishes neoliberal forms of government from traditional laissez-faire liberalism, which called for a minimalist state.⁴

In recent years, historically informed scholarship has begun to consider the Thatcher years to be a period that recast central aspects of the welfare state. Unsurprisingly, inquiries have drawn attention to Thatcher's signature policy granting council tenants the right to buy their homes in order to boost private home-ownership levels. Similarly, the Conservative government's pension reforms have come under scrutiny because they eroded state-sponsored provisions for the elderly while promoting private pensions. It is widely acknowledged that these measures redefined the relationship between private and public responsibilities and, in conjunction with more general cuts to public services, substantially increased social inequality in Eighties Britain. A look at the Gini coefficient, which measures income inequality on a scale from 0 (all receive the same income) to 1 (one person receives all income), highlights the strength of this trend: it rose by 34 per cent from 0.267 to 0.35 between 1979 and 1990. During the same period, inequality remained largely stable in West Germany (1979: Gini 0.244; 1990: Gini 0.27) and fell in France (1979: 0.300; 1989: 0.280), while it rose more slowly in the USA (1979: 0.31 Gini; 1990: 0.35 Gini).⁵

4. W. Brown, *Undoing the Demos: Neoliberalism's Stealth Revolution* (New York, 2015), pp. 17, 46–75; U. Bröckling, *The Entrepreneurial Self: Fabricating a New Type of Subject* (London, 2015), pp. 20–40; M. Foucault, *The Birth of Biopolitics: Lectures at the Collège de France, 1978–1979*, ed. M. Senellart, tr. G. Burchell (Basingstoke, 2008).

5. M. Francis, 'A Crusade to Enfranchise the Many': Thatcherism and the "Property-Owning Democracy"', *Twentieth Century British History*, xxiii (2012), pp. 275–97; A. Murie, 'The Housing Legacy of Thatcherism', in S. Farrall and C. Hay, eds., *The Legacy of Thatcherism: Assessing and Exploring Thatcherite Social and Economic Policies* (Oxford, 2014), pp. 143–66; M. Hill and A. Walker, 'What Were the Lasting Effects of Thatcher's Legacy for Social Security? The Burial of Beveridge?', in Farrall and Hay, eds., *Legacy of Thatcherism*, pp. 77–99; J. Welshman, 'Ideology, Social Science, and Public Policy: The Debate About Transmitted Deprivation', *Twentieth Century British History*, xvi (2005), pp. 307–41; C. Torp, *Gerechtigkeit im Wohlfahrtsstaat: Alter und Alterssicherung in Deutschland und Großbritannien von 1945 bis heute* (Göttingen, 2015), pp. 214–15; A.B. Atkinson, *Inequality: What Can Be Done?* (Cambridge, MA, 2015), p. 9. For the French figures, see N. Frémeaux and T. Piketty, *Growing Inequalities and the Impact in France: Country Report for France* (2013), available at <http://gini-research.org/articles/cr> (accessed 24 Feb. 2018). For an excellent explanation of the meaning of Gini, see F. Bourguignon, *The Globalization of Inequality* (Princeton, NJ, 2015), pp. 20–25.

Thatcher's policies were aimed at re-energising Britain's flagging economy by freeing enterprise from state controls, rather than narrowing the gap between rich and poor. It is unclear, however, to what extent Thatcherites achieved their aim of reducing the economic importance of the state. Public spending, irrespective of sustained efforts to curb it, fell only from 44.8 per cent of annual GDP in 1979 to 39.5 per cent of GDP in 1990 and thus remained at substantial levels. Several scholars have interpreted these figures as evidence of the limits of Thatcher's neoliberal experiment.⁶ Moreover, enquiries into welfare initiatives under Thatcher have noted that neoliberal motivations existed alongside other reforming impulses. Most importantly, a profound cultural conservatism shaped the Prime Minister's outlook. Repeatedly drawing attention to the importance of thrift, hard work and self-dependence, Thatcher demanded that individuals rely on their own efforts to advance in life rather than on public support and welfare.⁷ For Thatcher, welfare reform was part of a wider quest for Britain's moral renewal, or, as the Prime Minister once famously put it, for a return to 'Victorian values'.⁸

Since the Eighties, commentators have frequently pointed towards deep tensions and contradictions between the economic liberalism and the cultural conservatism that fuelled Thatcherite policies. Indeed, several authors have emphasised how Thatcher's liberal economic policies directly undermined her culturally conservative agenda. 'Mrs Thatcher', in the words of her biographer John Campbell, 'presided over and celebrated a culture of rampant materialism ... fundamentally at odds with her own values which were essentially conservative, old-fashioned and puritanical'.⁹ As a project of moral regeneration, Thatcherism, this line of argument claims, was a failure. Another strand of interpretation has identified liberal and conservative impulses as the source of contradictory understandings of the state during the Eighties. For instance, members of Thatcherite circles articulated economically motivated demands to limit the state alongside a politically conservative

6. This line of argument follows the work of the political scientist Paul Pierson in *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (Cambridge, 1994). Historians continue to follow suit. See R. Vinen, *Thatcher's Britain: The Politics and Social Upheaval of the 1980s* (London, 2010), pp. 101–33; B. Jackson and R. Saunders, 'Introduction: Varieties of Thatcherism', in *id.*, eds., *Making Thatcher's Britain* (Cambridge, 2012), pp. 1–21, at 15.

7. For an astute examination of morality in Thatcherite welfare plans, see F. Sutcliffe-Braithwaite, 'Neo-Liberalism and Morality in the Making of Thatcherite Social Policy', *Historical Journal*, lv (2012), pp. 497–520.

8. R. Samuel, 'Mrs. Thatcher's Return to Victorian Values', in T.C. Smout, ed., *Victorian Values: A Joint Symposium of the Royal Society of Edinburgh and the British Academy* (Oxford, 1992), pp. 9–30.

9. J. Campbell, *Margaret Thatcher: The Iron Lady* (London, 2003), pp. 250–52. See also M. Grimley, 'Thatcherism, Morality and Religion', in Jackson and Saunders, eds., *Making Thatcher's Britain*, pp. 78–94; D. Cannadine, *Margaret Thatcher: A Life and Legacy* (Oxford, 2017), pp. 124–6; E. Filby, *God and Mrs Thatcher: The Battle for Britain's Soul* (London, 2015), pp. 229–66.

law-and-order agenda, which required a powerful state. As Andrew Gamble's classic study *The Free Economy and the Strong State* observed at the time, 'the state is to be simultaneously rolled back and rolled forward'¹⁰ In short, Thatcherism appeared to place conflicting demands on the state.

This article argues that, in unemployment policy, Thatcherism's economically liberal and culturally conservative impulses did not contradict but rather reinforced each other. Conservative values, including the demand for self-reliance and hard work, were as significant as a belief in the efficacy of the market forces of supply and demand in shaping unemployment policies. Unemployment was a policy field in which the government strove to impose conservative values on out-of-work Britons in order to make them behave in accordance with market rationales. From this perspective, Thatcherism's quest for moral regeneration did not fail, but instead had palpable consequences for millions of British citizens. To promote conservative values and a more liberal labour market, Thatcherite politicians relied on the state. Rather than conceiving of the state as an institution that shielded those out of work from the vicissitudes of the market, Thatcherite politicians mobilised it to expose numerous Britons to market forces. In the field of unemployment policy, the 'strong state' promoted a 'free economy' grounded in culturally conservative values.

As Thatcher's note of May 1985 highlights, designing a new policy to combat unemployment proved a protracted affair. Files from the Prime Minister's office released in recent years grant insights into the meandering discussions that took place within government about a politically practical way forward. They reveal a gradual, searching process of policy creation, in which the opinions of economists, government advisors and politicians interacted with public debate and approaches to unemployment policy outside Britain. These files document the degree to which the ideological origins of neoliberal policies went beyond purely economic impulses and included conservative convictions. It was no coincidence that mass unemployment generated a new approach to social policy. The seemingly ever-lengthening dole queues that began to form in the late Sixties counted among the most poignant symbols of social upheaval in Seventies Britain. In 1979, the Conservative Party exploited this very theme in the election campaign, when its most famous political poster charged that 'Labour isn't working'. Once in office, the Conservatives had to show that they, by contrast, could indeed make Britain work.

10. A. Gamble, *The Free Economy and the Strong State: The Politics of Thatcherism* (Basingstoke, 1988), pp. 27–60, at 28. For the first exploration of these ideas, see A. Gamble, 'The Free Economy and the Strong State: The Rise of the Social Market Economy', *Socialist Register*, xvii (1979), pp. 1–25.

I

By the mid-Eighties, large-scale unemployment had been a prominent British phenomenon for more than a decade. The unemployment count had begun to rise noticeably at the start of the Seventies, subsequently hovering at around 1.5 million during the second half of the decade. In the early Eighties, this figure shot up dramatically. In January 1982, it breached the symbolically important 3 million mark, which signalled that unemployment had numerically risen to a higher level than it had during the slump of the Thirties. After peaking at 3.4 million in 1986, it then fell back to 1.6 million four years later.¹¹ OECD figures reveal that Britain was one of several Western European societies that faced a pronounced (but by no means unique) problem of unemployment. Between 1980 and 1987, the mean British unemployment rate was 10.5 per cent, placing the country more or less on par with Belgium (11.2 per cent), the Netherlands (10 per cent) and France (8.9 per cent). West Germany (6.1) and Italy (6.7 per cent) experienced significantly lower rates, while Ireland (13.8 per cent) and Spain (17.6 per cent) registered even higher figures.¹²

Although an authoritative historical explanation for the return of unemployment in Britain has remained elusive—in part because of the polemics surrounding the debate among historians about the origins of the UK's supposed economic decline in the second half of the twentieth century—the country's employment record in the Eighties is probably best viewed in the context of trends that had affected affluent societies across Western Europe and North America since the early Seventies. After the 1971 breakdown of fixed exchange rates and the Oil Crisis of 1973, a more volatile global economic climate left an imprint on Western labour markets as companies and consumers struggled to adjust to fluctuating currencies and higher inflation rates. The second Oil Crisis after the fall of the Shah in Iran stoked a worldwide recession in the early 1980s that provided the backdrop for the significant increase of unemployment rates in the early Eighties. In affluent societies, jobs also came under pressure throughout the Seventies and Eighties from more intensive international competition as a result of the lowering of trade barriers through the General Agreement on Tariffs and Trade, as well as the expansion of the European Economic Community (EEC). The EEC also facilitated the export of unskilled jobs to low-cost regions within Western Europe, as part of a wider recasting of the international division of labour that was also fuelled by globalisation. Within the world of work, new management routines that placed a stronger emphasis on flexibility and data processing, as well as a new

11. For the figures, see J. Denman and P. MacDonald, 'Unemployment Statistics from 1881 to the Present Day', *Labour Market Trends*, civ (1996), pp. 5–18.

12. R. Layard, S. Nickell and R. Jackman, *Unemployment: Macroeconomic Performance and the Labour Market* (Oxford, 2005), p. xxi.

wave of mechanisation through automation and the proliferation of industrial robots, helped to transform job profiles, rendering established qualifications obsolete and generating demand for new skill sets. In short, unemployment levels in Western nations rose because the end of the post-war boom coincided with the emergence of a new international division of labour and innovative forms of labour organisation that furthered deindustrialisation while expanding the service sector.¹³

The United Kingdom proved vulnerable to these developments for several reasons. To begin with, demographic trends placed considerable pressure on British labour markets. As large birth cohorts entered the workforce in the late Seventies and early Eighties, the economy only partially succeeded in integrating them. Those young workers with patchy educational records were particularly at risk, and, as in many other Western European countries, youth unemployment became a prominent feature. That the share of Britons employed in manufacturing shrank from 35 per cent to 26 per cent from the mid-Sixties to 1984 aggravated the problem.¹⁴ Sharp bursts of job losses accentuated the long-term transition into the post-industrial era. Between 1981 and early 1984, the coal industry and manufacturing sector shed almost 750,000 jobs.¹⁵ Unemployment became concentrated in mining, manufacturing and port areas, hitting Northern Ireland, Scotland, Wales, Northern England and the Midlands with particular force. In the early 1980s, some inner-city areas had staggering numbers of inhabitants without work. In Manchester's Moss Side, Liverpool's Toxteth, and the Isle of Dogs in east London, the official unemployment rate stood at over 40 per cent. Areas with sizeable ethnic minorities from Pakistani, Bangladeshi and Caribbean backgrounds also featured disproportionately high unemployment.¹⁶ As well as the young and non-white, unskilled workers and men over fifty were significantly over-represented among the unemployed. Many of them formed the core of a new category that gained statistical prominence in the early Eighties: the long-term

13. For general arguments along these lines, see C.S. Maier, "'Malaise': The Crisis of Capitalism in the 1970s", in N. Ferguson, C.S. Maier, E. Manela and D.J. Sargent, eds., *The Shock of the Global: The 1970s in Perspective* (Cambridge, MA, 2010), pp. 25–48; J.A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York, 2006), pp. 363–85, 457–72. With regard to Britain, see S. Broadberry, 'The Performance of Manufacturing', in R. Floud and P. Johnson, eds., *The Cambridge Economic History of Modern Britain, III: Structural Change and Growth, 1939–2000* (Cambridge, 2004), pp. 57–83, esp. 63–5; M. Kitson, 'Failure Followed By Success or Success Followed By Failure? A Re-Examination of British Economic Growth since 1949', in Floud and Johnson, eds., *Cambridge Economic History of Modern Britain, III*, pp. 27–56, esp. pp. 45–8; J. Tomlinson, 'De-Industrialization, Not Decline: A New Meta-Narrative for Post-War British History', *Twentieth Century British History*, xxvii (2016), pp. 76–99.

14. B. Harrison, *Finding a Role? The United Kingdom, 1970–1990* (Oxford, 2010), p. 173.

15. *Labour Force Survey, 1981* (London, 1982), pp. 16–19; *Labour Force Survey, 1983 and 1984* (London, 1986), pp. 19–20.

16. Yaojun Li and A. Heath, 'Minority Ethnic Men in the British Labour Market (1972–2005)', *International Journal of Sociology and Social Policy*, xxviii (2008), pp. 231–44, at 235; D. Owen and A. Green, 'Labour Market Experience and Occupational Change Amongst Ethnic Groups in Great Britain', *Journal of Ethnic and Migration Studies*, xix (1992), pp. 7–29.

unemployed, who had been out of work for more than a year. In 1983, this group made up over 40 per cent of those on the dole.¹⁷ In early Eighties Britain, a recession and a large cohort of young jobseekers thus exacerbated a classic case of 'structural unemployment'.¹⁸

These dramatic figures, however, should not obscure the fact that the overall number of working Britons rose from 24.1 to 26.3 million between 1971 and 1989.¹⁹ Even in the early Eighties, the count of Britons in employment remained almost stable, at 23.3 million, because job losses in manufacturing were offset by growth in the service sector. Between 1981 and 1984, forms of employment falling under the heading 'distribution, hotels, catering, and repairs' in the *Labour Force Survey* registered 330,000 new positions—also reflecting a wider trend towards part-time jobs, which, in turn, jumped from 4 million to 4.86 million during those years.²⁰ Yet rather than attract the overwhelmingly male former industrial workers on the dole, the service-sector jobs were frequently filled by women, whose presence in the workforce had been steadily expanding since the 1950s.²¹ Many new part-time positions were labour intensive and required few skills, and consequently offered only low pay. Indeed, Britain's low-pay sector, which is defined by work offering wages below two-thirds of the median income, expanded from 14 per cent to 21 per cent of the workforce between 1976 and 1996.²²

Public commentators and politicians viewed the return of unemployment as a fundamental threat to Britain's post-war social order. After all, since the end of the Second World War both Conservative and Labour administrations had embraced the recommendation of the 1944 White Paper on *Employment Policy* and 'accept[ed] as one of their primary aims and responsibilities [the need] to maintain stable and high levels of employment'.²³ 'Demand management' remained

17. *Labour Force Survey, 1983 and 1984*, pp. 19–20.

18. For a definition of structural unemployment, see J. Burnett, *Idle Hands: The Experience of Unemployment, 1790–1990* (London, 1994), p. 7. For a general exploration of the structure of unemployment, see Layard, Nickell and Jackman, *Unemployment*, pp. 286–333.

19. Office of National Statistics, *LFS: In Employment: UK: All: Aged 16–64: Thousands: SA*, available at <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/lfg/lms> (accessed 24 Feb. 2018).

20. *Labour Force Survey, 1981*, pp. 15–6; *Labour Force Survey, 1983 and 1984*, pp. 17–19.

21. R. Milward, 'The Rise of the Service Economy', in Floud and Johnson, eds., *Cambridge Economic History of Modern Britain*, III, pp. 238–66, at 243–5; M. Goos and A. Manning, 'Lousy and Lovely Jobs: The Rising Polarization of Work in Britain', *Review of Economics and Statistics*, lxxxix (2007), pp. 118–33, at 124–6; S. Connolly and M. Gregory, 'Women and Work Since 1970', in N. Crafts, I. Gazeley and A. Newell, eds., *Work and Pay in 20th Century Britain* (Oxford, 2007), pp. 142–77.

22. The best overview is G. Mason, K. Mayhew, M. Osborne and P. Stevens, 'Low Pay, Labour Market Institutions, and Job Quality in the United Kingdom', in C. Lloyd, G. Mason, and K. Mayhew, eds., *Low-Wage Work in the United Kingdom* (New York, 2008), pp. 41–95, esp. 50.

23. *Employment Policy*, British Parliamentary Papers, House of Commons Papers [hereafter PP], 1943–4, Cmd. 6527, vol. viii, p. 121. On the importance of this document, see R. Lowe, *The Welfare State in Britain since 1945* (Basingstoke, 2005), pp. 114–20; H. Glennerster, *British Social Policy since 1945* (Oxford, 2000), pp. 20–33. On changes in economic policy, see J. Tomlinson, *Employment Policy: The Crucial Years, 1939–1955* (Oxford, 1987), pp. 44–79.

a central economic policy aim throughout the Seventies, highlighting the political establishment's firm commitment to preventing a return of social conditions associated with the deprivations of the Thirties. Until the Seventies, an unemployment rate exceeding 2 per cent had 'alarm bells ringing in ... party headquarters', as one scholar has observed.²⁴ In 1972, an unemployment count close to 1 million prompted the Prime Minister, Edward Heath, to abandon fiscal retrenchment and launch a textbook counter-cyclical manoeuvre including tax cuts, higher public expenditure and loose monetary policy. This change, of course, quickly gained notoriety as an ill-fated 'U-turn' that, despite reducing unemployment temporarily, led to Britain's descent into 'chaos' because it contributed to an inflation rate of 25 per cent and triggered a series of strikes.²⁵ While the ensuing Labour governments remained committed to high employment, they could neither prevent a rise of the unemployment count to 1.5 million nor establish a stable settlement with the trade unions. In Britain, as in other Western nations in the second half of the Seventies, the foundations that had underpinned economic and social policies for much of the post-war period came under significant strain.

Margaret Thatcher thus entered Downing Street in May 1979 amid what she viewed as exceptionally inauspicious circumstances. Together with her supporters in the Conservative Party, she did not view Britain's economic problems in the context of ongoing socio-economic changes across Western societies, but read them as the culmination of a drawn-out process of 'national decline'. Having first emerged in response to Anglo-German rivalry in the late nineteenth century, narratives of British decline gained new salience after the Suez debacle in 1956 and ranked as the prime interpretational pattern of the nation's post-war trajectory in the mid-Seventies. Prominent across the political spectrum, British declinist diagnoses frequently adopted apocalyptic tones and were not moderated by the upbeat motifs that textured numerous interpretations of the post-war period in continental European countries. During the Seventies, French and German public debate revolved around stagflation, unemployment and problems of public order, but also invoked the socio-economic achievements of the *trente glorieuses* (the glorious three decades) and the *Wirtschaftswunder* (economic miracle). British analyses lacked comparably prominent narrations of post-war success. Unlike continental commentators, who often hoped for a return to the economic conditions of the Fifties and Sixties, many

24. N. Thompson, 'Economic Ideas and the Development of Economic Opinion', in R. Coopey and N. Woodward, eds., *Britain in the 1970s: The Troubled Decade* (New York, 1996), pp. 55–80, at 56.

25. Harrison, *Finding a Role*, pp. 288–92, 308–9; A. Beckett, *When the Lights Went Out: What Really Happened to Britain in the Seventies* (London, 2010), pp. 46–9. For inflation figures, see Table 37 among the *Consumer Price Inflation Tables* at <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation> (accessed 24 Feb. 2018).

of their British counterparts subscribed to a fundamentally different outlook: they regarded the post-war period itself as the problem.²⁶

Nowhere was this declinist impulse more pronounced than in the Conservative circles around Margaret Thatcher. In September 1974 her ally Keith Joseph spoke of a 'catastrophe' and a 'nightmare' that had befallen the nation. Three years later, an influential party report declared Britain a 'sick society' in the midst of a 'process of decay'.²⁷ Britain's economic malaise, so the Thatcherite argument ran, derived from overly generous welfare payments, public subsidies for inefficient industries and excessively powerful trade unions that pursued unrealistic wage demands. British industry, the argument continued, suffered from a lack of productivity and competitiveness as well as inflated pay rates. At the same time, high public expenditure resulted in a heavy tax burden and fuelled unprecedented rates of inflation. Above all, the state had developed an overbearing presence that stifled entrepreneurial initiative—or, to put it in contemporary parlance, 'crowded out' private business. If Britain were to regain its national vitality, Thatcherites concluded, the state's function had to change fundamentally. Rather than moderating market forces, as most Labour and Conservative politicians since the end of the Second World War had argued it should, it had to turn itself into an agency for mobilising them.²⁸

The new Conservative leaders did not focus on unemployment, but regarded inflation as the most corrosive economic problem. As Keith Joseph put it in 1974, against a background of annual price rises of 17 per cent, inflation ranked among the 'arch destroyers [of] democracy'. Pointing towards the example of the Weimar Republic in 1923, he fulminated that 'rapid inflation will destroy every plan and every prospect; jobs and savings will evaporate, society will be fractured'.²⁹ To combat this threat, the Conservatives insisted on reining in trade-union power, imposing budgetary discipline and embracing monetarist

26. For an overview of debates about decline, see J. Tomlinson, *The Politics of Decline: Understanding Post-War Britain* (Harlow, 2000), esp. pp. 83–96; J. Tomlinson, 'The Politics of Declinism', in L. Black, H. Pemberton and P. Thane, eds., *Reassessing 1970s Britain* (Manchester, 2013), pp. 41–60; R. Eccleshall, 'Party Ideology and National Decline', in R. English and M. Kenny, eds., *Rethinking British Decline* (Basingstoke, 2000), pp. 155–83. For a modified statement of perspectives of the Seventies, see S. Brittan, 'A Time for Confession', in Black, Pemberton and Thane, eds., *Reassessing 1970s Britain*, pp. 61–8; R. Saunders, '"Crisis? What Crisis?" Thatcherism and the Seventies', in Jackson and Saunders, eds., *Making Thatcher's Britain*, pp. 25–42. On the German and French terms, see J. Fourastié, *Les Trente glorieuses* (1979; Paris, 2011); E. Conze, *Die Suche nach der Sicherheit: Eine Geschichte der Bundesrepublik Deutschland von 1949 bis in die Gegenwart* (Berlin, 2009), pp. 157–80.

27. Keith Joseph, 'Inflation is Caused by Governments', in his *Reversing the Trend—A Critical Re-appraisal of Conservative Economic and Social Policies* (Chichester, 1975), p. 19; 'Stepping Stones' report, 14 Nov. 1977, pp. 2, 4, available online at the Margaret Thatcher Foundation Website, <https://www.margarethatcher.org/> [hereafter MTFW], no. 111771.

28. A very good overview on the formation of Thatcherite ideology remains E.H.H. Green, *Ideologies of Conservatism: Conservative Political Ideas in the Twentieth Century* (Oxford, 2004), pp. 214–39.

29. Joseph, 'Inflation is Caused by Governments', pp. 19, 31. See also the statements along similar lines in Tomlinson, 'Politics of Decline', pp. 44–8.

policies that sought to control the amount of currency in circulation. The fact that Thatcher and her circle, as several historians have pointed out, lacked a coherent strategy for dealing with inflation did little to diminish the importance of the issue.³⁰ The spectre of inflation soon haunted Thatcher's administration because, after having fallen back to 8.3 per cent in 1978, it shot up to 18 per cent in 1980 as a result of the second Oil Crisis. As the country headed for a downturn that intensified debates about national decline, the government raised the Bank of England's interest rate from 12 to 17 per cent, cut public spending, and increased direct taxes in 1981.³¹ These deflationary policies strengthened the pound, burdened exporters with an unfavourable exchange rate and, as a government advisor soon realised, 'accidentally engineered a recession' that triggered a wave of business failures. A 20 per cent fall in industrial output between 1979 and 1982 provided the background for the contemporary surge in unemployment.³²

II

Proliferating unemployment was a major cause of Margaret Thatcher's 'record of unpopularity' that led to bets 'against her survival in office' in 1981, an observer recalled.³³ Public opinion polls ranked unemployment as the most pressing national problem, and the administration faced a host of recriminations. In June 1981 the Labour Party forced a parliamentary debate on the topic.³⁴ The Labour MP Jack Ashley bluntly declared that 'the Government see unemployment as the necessary price to be paid for reducing inflation'. Above all, his ire was fuelled by indignation at the social consequences of unemployment, emphasising its role in 'defacing our society, scarring our people and damaging our economy ... [thereby] causing misery, poverty, wretchedness and fear'. As Ashley admonished the nation that 'a limit ... has been reached in moral, social and economic terms', William Rodgers of the Social Democratic Party (SDP) invoked the past to highlight the destructive potential of current policies. Shuddering at 'a return to the levels of unemployment that had existed before the war', he recalled 'the ugliness, poverty, deprivation, squalor and intolerance' that had existed during his childhood in Liverpool. In Rodgers's eyes, unemployment was a 'moral evil'.³⁵ As the post-war commitment to

30. On the frequently conflicting impulses behind Thatcherite anti-inflation policies, see Vinen, *Thatcher's Britain*, pp. 86–90; J. Tomlinson, 'Thatcher, Monetarism and the Politics of Inflation', in Jackson and Saunders, eds., *Making Thatcher's Britain*, pp. 62–77, at 69.

31. On the early economic policies, see C. Moore, *Margaret Thatcher: The Authorized Biography* (2 vols. to date, London, 2013–), i. 461–80, 622–8.

32. J. Hoskyns, *Just in Time: Inside the Thatcher Revolution* (London, 2000), p. 263; Tomlinson, 'Deindustrialization, Not Decline', p. 87.

33. P. Jenkins, *Mrs Thatcher's Revolution* (London, 1989), p. 153.

34. Vinen, *Thatcher's Britain*, p. 132.

35. Hansard, *The Official Report: House of Commons* [hereafter Hansard], 6th ser., 24 June 1981, vol. 7, cc. 272–3, 286.

high employment evaporated before their eyes, Left-leaning politicians castigated unemployment's socially destructive effects by drawing on a moral language that reached back to the Thirties, a time when the Left had repeatedly berated Conservative governments for failing to come to the aid of regions suffering from the effects of the global depression.

Yet it was the one-nation Conservative Norman St John-Stevas who drew compliments from across the political spectrum for a speech that underscored the individual implications resulting from the exclusion from work. 'The opportunity to work, to contribute by the fruits of one's labour, to support oneself and one's family, to seek to enrich the community by the exercise of one's God-given talents, is essential to the dignity of every human being'. Unemployment, consequently, 'diminished and devalued'. Rather than focus primarily on socio-economic aspects, St John-Stevas emphasised the ethical dimension of Britain's mass unemployment by merging Christian elements with highly conventional motifs about work as the foundation of individual and social self-fulfilment. What rendered the current situation particularly dramatic, he continued, was that millions faced exclusion 'through no fault of their own ... That knowledge should stir the conscience of the nation, if we are worthy to be called a nation'.³⁶ Casting those out of work as victims of economic circumstances beyond their control, St John-Stevas claimed that widespread unemployment placed an obligation on British society. For this Conservative, the challenge of unemployment for politicians extended beyond socio-economic aspects to the moral imperative of restoring an individual's integrity. Even Margaret Thatcher, who had sacked St John-Stevas from the Cabinet five months earlier for his persistent criticism of her economic policies, had to acknowledge this line of argument by agreeing in Parliament that unemployment constituted a 'human tragedy' and an 'evil'.³⁷

This high-minded tone was indicative of the broad public sympathy for the unemployed in the early 1980s. When a 500-strong group composed mostly of unemployed men set out from Liverpool, Huddersfield and the West Midlands on a month-long 'People's March for Jobs' to London on May Day 1981, the national press coverage was overwhelmingly favourable. Organised by trade unions with support from Christian groups, the initiative invoked the memory of the Jarrow Hunger Marches of the Thirties. Of course, observers were quick to draw attention to the differences that welfare provision had created between the unemployed of the Thirties and those of the Eighties. Unlike their predecessors, 'today's marchers ... are well-dressed, not tattered. They are well-fed, not hungry. They do not fear eviction or that their children will go bootless', the *Daily Mirror* conceded.³⁸

36. Ibid., c. 267. For compliments on the speech by Labour MPs, see *ibid.*, cc. 272, 285, 304, 325.

37. Ibid., c. 327.

38. *Daily Mirror*, 29 May 1981, p. 2.

Nonetheless, the protestors encountered sympathy even in staunchly conservative circles. A reporter for *The Times*, who accompanied the group over several stages of the march, observed that while 'times may have changed' since the Thirties, this was not the case 'for a steel worker, sailor or engineer who has lost his job. He may not starve but he is diminished by unemployment, and I can understand why they are marching on London'. Business-friendly writers also acknowledged the victim status of those who lacked work: even the *Financial Times* stressed the fundamental legitimacy of the demonstration. Beyond income, a leader column argued, work provides 'a sense of purpose' and 'locates us on a social map'. When jobs were lost, 'the unemployed are deprived of an essential part of their identity', the *FT* reminded readers, under the headline 'The Moral Evil of Unemployment'.³⁹

Significantly, these reports did not portray the unemployed as passive and silent victims but cast them as determined protestors, shouting the widely used slogan 'Maggie, Maggie, out, out, out' as they braved the elements *en route* to London.⁴⁰ While reporters may have found participants 'somehow diminished', they were equally struck by their defiance and will to resist. 'How loud do we have to shout before there is any help?', one participant asked a reporter who visited the marchers during a stopover in Macclesfield.⁴¹ On 31 May 1981, an estimated crowd of 100,000 welcomed the group at a rally in Hyde Park, which had been organised with the support of the Greater London Council's new left-wing leader, Ken Livingstone. Given the media profile of the demonstration, the government had to grant a delegation a personal meeting with the Employment Secretary, James Prior. In an emotional press conference, Prior sat next to several unemployed workers who accused him of failing to understand 'what it means to lose one's dignity together with one's job'. Although highly critical of Thatcher's economic policies behind the scenes, Prior obeyed Cabinet discipline and publicly denied that the government bore responsibility for what he termed the 'national waste and personal tragedy of unemployment'.⁴²

That the lack of work could lead the unemployed to disregard the law did not necessarily dispose the public against them in the early Eighties. Alan Bleasdale's acclaimed 1982 hit series *Boys from the Blackstuff* followed a group of erstwhile tarmac-layers from Liverpool who were 'searching for official or unofficial employment', as Peter Ackroyd's review in *The Times* put it. Moonlighting stints to complement their welfare payments feature prominently in several episodes and did nothing to undermine the protagonists' appeal as 'warm-hearted and cheerful layabouts', in Ackroyd's words. Ackroyd was particularly impressed by the ability of the series to leave the audience in 'no

39. *The Times*, 7 May 1981, p. 16; *Financial Times*, 28 May 1981, p. 20.

40. *The Times*, 5 May 1981, p. 1.

41. *Daily Mirror*, 13 May 1981, p. 10.

42. *The Guardian*, 2 June 1981, p. 1; *The Times*, 2 June 1981, p. 2.

doubt about the poverty of [the characters'] lives' by using 'a wry and sometimes desperate humour which reveals the truth of the situation without feeling a need to preach'.⁴³ Despite its conservative political leanings, the *Daily Express* was also taken by the humour with which the series narrated 'the running battle with the officials behind the dole counters', a contest that led one character to complain that 'they treat you as though you're selling state secrets to the Russians'. Behind this light-hearted facade, however, the *Daily Express* reviewer added, lay 'the real anxieties and desperation of people fighting for their self-respect'.⁴⁴ Against the background of rapidly rising rates of unemployment, those struggling for material and moral survival were portrayed as legitimately sidestepping and challenging rules and regulations that had been forced upon them by external circumstances.

III

In a political climate in which even conservative media regarded the unemployed as victims who deserved sympathy, the Prime Minister faced considerable pressure to change her political course. Within the Cabinet, James Prior, whom Margaret Thatcher had appointed as Employment Secretary because of his links with the trade unions, energetically campaigned for measures to alleviate unemployment in July 1981. Against a backdrop of a predicted unemployment count of 3 million that summer, he argued for new initiatives costing between £1.2 billion and £1.6 billion annually.⁴⁵ In response, the government announced in late July 1981 that, beyond the existing annual expenditure of £1 billion, it would spend a further £500 million per annum to combat unemployment by facilitating early retirement, expanding existing youth training schemes, and introducing a subsidy for employers willing to hire young workers at weekly wages below £40.⁴⁶

Although Prior had hoped for more, the episode illustrates that the government could not ignore calls for active state support for the unemployed. The administration, therefore, extended and modified measures, launched in the Seventies, that targeted groups who found it particularly hard to gain paid employment or who had recently lost their jobs. Initiated in 1978, the Youth Opportunities Programme was a subsidised vocational training scheme for 16- and 17-year-olds that

43. *The Times*, 11 Oct. 1982, p. 9. See also *The Guardian*, 25 Oct. 1982, p. 9, and 13 April 1983, p. 9. On the series, see D. Managhan, 'Margaret Thatcher, Alan Bleasdale, and the Struggle for Working-class Identity', *Journal of Popular Film and Television*, xxix (2001), pp. 1–13.

44. *Daily Express*, 9 Oct. 1982, p. 17.

45. For an outline of the demands and the discussions surrounding them, see TNA, PREM 19/525, P. Le Cheminant, 'Measures Against Unemployment', confidential note, 8 July 1981.

46. Hansard, 6th ser., 27 July 1981, vol. 9, cc. 834–7. For the preceding discussion among Cabinet members, see TNA, PREM 19/526, 'Note of a meeting held at 9.45 am on Friday 24 July 1981 to discuss measures to deal with unemployment', and John Hoskyns, 'Measures on Unemployment', note, 23 July 1981.

grew from 216,000 trainees in 1979/80 to 553,000 in 1981/2, before being reconfigured as the Youth Training Scheme, which absorbed up to 360,000 recent school leavers each year for most of the Eighties.⁴⁷ In response to long-term unemployment, the Community Programme provided between 130,000 and 300,000 temporary publicly funded jobs annually until 1987 for those who had been out of work for more than six months. Between 1983 and 1988, the Enterprise Allowance Scheme paid 320,000 business founders a weekly subsidy of £40 to support them during their first year of trading.⁴⁸

State-sponsored training, job creation and help for small start-ups complemented the social security provisions that had come into existence in the wake of the 1942 Beveridge Report, with its emphasis on 'income security'. In 1948, fresh memories of the economic depression of the Thirties and fears that the return to peacetime conditions would entail job losses played a major part in the Labour government's decision to introduce a new Unemployment Benefit.⁴⁹ This was financed by employees' contributions to National Insurance, which established a very strong entitlement to a standardised payment during the first year out of work. In 1966, the Wilson administration reformed this welfare provision, relying on cross-party support to add a second element to Unemployment Benefit that reflected a person's previous income. This 'earnings-related element' was intended to ensure that unemployment benefit did not simply allow basic subsistence but also partially safeguarded a worker's previous social status. When Unemployment Benefit ceased after a year, those still out of work could apply for Supplementary Benefit. This payment was funded through taxes paid by all rather than through workers' own insurance payments, and so individual entitlement to this form of support was much weaker than to Unemployment Benefit. Supplementary Benefit, therefore, was only available to those who passed a means test.⁵⁰

Although the Conservative government expanded job creation and training initiatives in the early Eighties, it regarded Britain's social security system as a factor that exacerbated the nation's unemployment problem by fuelling inflation and adding to the overbearing economic role of the state.⁵¹ Indeed, the government viewed the situation at the

47. D.S. Edwards, 'The History and Politics of the Youth Opportunities Programme, 1978–1983' (London, Institute of Education Ph.D. thesis, 1985), p. 160. The expenditure more than tripled from £113 million (1980/81) to £374 million (1981/82).

48. J. Brown, *Victims or Villains: Social Security Benefits in Unemployment* (York, 1990), pp. 108, 111, 182. On the Community Programme and the Enterprise Allowance Scheme, see D. Price, *Office of Hope: A History of the Employment Services* (London, 2000), pp. 223–7.

49. William Beveridge, *Social Insurance and Allied Services*, PP, 1942, Cmd. 6404, vol. vi, p. 124.

50. Hansard, 5th ser., 7 Feb. 1966, vol. 724, cc. 57, 54. On the law itself, see J. Micklewright, 'The Strange Case of British Earnings-Related Unemployment Benefit', *Journal of Social Policy*, xviii (1989), pp. 527–48.

51. One of the most influential formulations of these principles was by Nigel Lawson: 'The Economic Perils of Thinking for the Moment', *The Times*, 14 Sept. 1978. See also Keith Joseph, *Conditions for Fuller Employment* (London, 1978), pp. 2–4.

time as presenting a particularly intractable challenge because the ongoing economic crisis was making ever stronger demands of the social security system. As government expenditure rose from 45.3 per cent of GDP in 1978/79 to 48.1 per cent in 1981/82, the crisis increased the state's economic importance, thereby aggravating one of the constellations that Conservatives had identified as a fundamental economic problem since their opposition days.⁵² This development motivated the cuts the Conservatives made to provisions for the unemployed, starting in 1980. They imposed income tax on unemployment benefits, refused to uprate this payment in line with inflation, and abolished the earnings-related element. Furthermore, the government decided to increase future benefits in general in line with price inflation rather than link them to the rate of GDP growth, which was typically higher, thereby initiating a gradual erosion of the real value of welfare payments in Britain.⁵³ These substantial reductions astonished those in progressive and left-wing circles. *The Guardian* noted that 'if anybody had made such suggestions' before the 1979 general election, 'they would have been laughed out of court'.⁵⁴ Indeed, by 1982, Britain was the sole country in the EEC not to link out-of-work benefits to an individual's previous income. Recent studies by welfare economists have identified these measures of the early Eighties—in conjunction with changes to the pension system—as the point of departure for the pronounced increase in income inequality during this decade.⁵⁵

Yet it was not cost considerations alone that made the government court controversy in 1980. From the administration's point of view, unemployment policy required a fundamentally new approach. Irrespective of the global recession and the government's anti-inflationary policy, Thatcher and her allies were convinced that British unemployment derived, first and foremost, from long-term developments in the UK economy. Job losses, Conservative politicians argued, reflected unsatisfactory productivity levels that resulted from 'overmanning', as contemporaries termed high staffing levels linked to dated labour routines.⁵⁶ Above all, Conservatives identified high wages as a factor that stoked unemployment. As the Employment Secretary

52. For the figures, see 'Appendix 2: Statistical Tables', in Saunders and Jackson, eds., *Making Thatcher's Britain*, p. 277.

53. On the measures, see Brown, *Victims or Villains*, pp. 51–2.

54. *The Guardian*, 16 Mar. 1980, p. 1; *The Times*, 17 Mar. 1980, p. 2.

55. Micklewright, 'Strange Case', p. 527. For economists' assessments, see A.B. Atkinson, *Inequality: What Can Be Done?* (Cambridge, MA, 2015), pp. 225–9; P. Kenway, *Should Adult Benefit for Unemployment Now Be Raised?* (York, 2009), pp. 11–13; T. Clark and A. Leicester, 'Inequality and Two Decades of British Tax and Benefit Reforms', *Fiscal Studies*, xxv (2004), pp. 129–58, esp. 152–4. On pensions, see Torp, *Gerechtigkeit im Wohlfahrtsstaat*, pp. 199–228.

56. On the importance of 'overmanning', see Keith Joseph, *Monetarism is Not Enough* (London, 1976), pp. 3, 12; Keith Joseph, *Conditions for Fuller Employment* (London, 1978), p. 12; Margaret Thatcher, interview for *Sunday Times*, 1 Aug. 1980, available at MTFW, no. 104214; Hansard, 6th ser., 24 June 1981, vol. 7, c. 267 (Norman St John-Stevs); Margaret Thatcher, speech at Conservative Party Conference, 16 Oct. 1981, available at MTFW, no. 104717.

James Prior pointed out in 1981, British labour unit costs had risen by 88 per cent between 1975 and 1980, while comparable increases for France and Germany stood at 45 and 17 per cent.⁵⁷ Although these indicators implied that Britain suffered from an uncontrollable wage spiral, the government did not specify whether its statistics made any allowance for inflation, currency fluctuations or other factors. Emphasising the costs of labour played a central role in the Conservative analysis of unemployment, because it allowed the government to reassign responsibility for unemployment. Rather than government policy, trade unions were the cause of social problems, according to an increasingly prominent argument which was current in Conservative circles throughout the Seventies.⁵⁸ In May 1981, Margaret Thatcher put it bluntly in a *Sunday Times* interview when she stated that, by pursuing ambitious demands, workers 'created their own unemployment ... And I say to them, don't blame your unemployment on to [*sic*] me. It is your fault'.⁵⁹

Beyond stoking unemployment by eroding the competitiveness of British labour, Thatcher and her supporters maintained, existing pay levels created barriers preventing those out of work from entering the labour force. Taking up arguments that had long featured in economics textbooks, as well as discussions sponsored by right-wing think tanks such as the Institute for Economic Affairs, the government's explanation for joblessness was predicated on a straightforward demand-and-supply model.⁶⁰ In 1978, Keith Joseph spelled out in a speech that 'a labour market ... inclines naturally towards equilibrium between the supply of and demand for labour, via the balancing factor of flexible wage rates'. Unemployment thus reflected an oversupply of labour to which the price of labour—that is, pay—had failed to react. If put in these terms, the solution to the problem appeared simple. In Joseph's eyes, 'wage flexibility [was] the ally of full employment', because it allowed the market forces of supply and demand to determine the rates of pay at which employers were willing to hire new staff and thereby reduce unemployment.⁶¹ As a government report pointed out in September 1982, flexibility could mean only one thing for wage rates: 'the initial flexibility must be downwards'.⁶² A year earlier, Alan Walters, the Prime Minister's influential economic advisor, had summed up an

57. Hansard, 6th ser., 24 June 1981, vol. 7, col. 253.

58. J. Bulpitt, 'The Discipline of the New Democracy: Mrs Thatcher's Domestic Statecraft', *Political Studies*, xxxiv (1986), pp. 19–39, esp. 37. See also Tomlinson, 'Thatcher, Monetarism and the Politics of Inflation', p. 72.

59. Margaret Thatcher, interview for *Sunday Times*, 3 May 1981, available at MTFW, no. 104475.

60. For just one such formulation in a standard textbook, see P.A. Samuelson, *Economics* (8th edn., New York, 1970), pp. 547–58; J.B. Wood, *How Little Unemployment?* (London, 1975).

61. Joseph, *Conditions for Fuller Employment*, pp. 6–7.

62. TNA, PREM 19/1158, Central Policy Review Staff, 'Report on Unemployment, September 1982', pp. 40–41.

analysis along similar lines with a rhetorical question: '[D]oes not everyone believe that were the real wage rates in Britain to fall 10 or 15%, there would be a most dramatic reduction in unemployment?'⁶³ For unemployment to improve, then, employees had to be made work for less.

To gain clarity about the factors that supposedly impeded the operation of supply and demand on the labour market, the government commissioned several studies, among which one by Patrick Minford, a professor of Economics at the University of Liverpool, stood out in the opinion of Thatcher's inner circle. A former Ph.D. student of Alan Walters, Minford had recommended himself to the government as a rare voice of public support among economists, after 364 of his peers had criticised the government for raising taxes while cutting public expenditure in the 1981 budget.⁶⁴ In his report of September 1982, which was published with minimal alterations the following year, Minford agreed that high wages and low productivity underpinned rapidly increasing unemployment in the UK. To account for the nation's wage levels, Minford pointed to two mutually reinforcing 'fundamental' factors. Next to the trade unions with their ability to push up wages, 'the first and most basic is the operation of the unemployment benefit system', he stated. Benefits for the unemployed, Minford explained, established a floor below which wages could not fall. After all, 'a man', he continued, 'will very naturally expect to be re-employed at a wage after tax and work expenses which is at least as high as this benefit, and probably somewhat higher because he may not wish to "work for nothing"'. According to this reading, the social security system caught people in an 'unemployment trap' because welfare payments provided a framework in which people 'price[d] themselves out of jobs', as a crisp formula put it at the time.⁶⁵ Minford's openly anti-union stance and support for welfare cuts appealed to the government, as did his confident use of computer-based quantitative methods to calculate the effects of policy changes. A 10 per cent cut in social security payments would take 700,000 off the unemployment register, he predicted.⁶⁶

Although Minford's report contained concrete proposals for lowering social security payments, the government did not design a bundle of measures to reshape the labour market in late 1982. With a general

63. TNA, PREM 19/525, Alan Walters, 'Unemployment Measures Proposed in E(81)74', 8 July 1981, paragraph 4.

64. Thatcher personally thanked Minford for his public support: Margaret Thatcher to Patrick Minford, 29 Apr. 1981, available at MTFW, no. 121621; note of a discussion at Chequers, 13 July 1980, available at MTFW, no. 115797. For a sketch of Minford, see Beckett, *Promised You a Miracle*, pp. 44–58.

65. For use of this phrase, see Joseph, *Conditions for Fuller Employment*, p. 9; Thatcher, interview for *Sunday Times*, 3 May 1981, available at MTFW, no. 104214; Nigel Lawson, *The View from No. 11: Memoirs of a Tory Radical* (London, 1992), pp. 426–7. For a critique of the phrase, see *The Guardian*, 31 Jan. 1982, p. 12.

66. Patrick Minford, *Unemployment: Cause and Cure* (Oxford, 1983), p. 26.

election on the horizon, there was little to recommend a substantial attempt at social security reform—it was bound to generate political conflict without yielding timely results.⁶⁷ Nonetheless, the discussions of the early Eighties laid conceptual foundations for subsequent changes to unemployment protection. Framing employment issues in market terms allowed the government to sidestep any need to address crucial characteristics of contemporary unemployment, including its disproportionate concentration in certain regions and among ethnic minorities, as well as its structural features deriving from de-industrialisation. Instead, tackling unemployment, the Thatcher administration was convinced, required policies that exposed those out of work to market forces. The government was thus adopting a quintessentially neoliberal position: it aimed to turn the state into an active promoter of market mechanisms in social relations.

IV

At the same time as they developed this neoliberal stance, members of the government were convinced that the suppression of the market alone did not account for Britain's persistently high unemployment. Despite solid economic growth between 1982 and 1986, the unemployment count continued to rise to 3.6 million. After the Conservatives' landslide election victory in 1983—which resulted from disarray in the Labour Party, Britain's victory in the Falklands War, and promising economic indicators—advisors impressed upon Thatcher how important it was not to lose sight of unemployment.⁶⁸ Otherwise, as Ferdinand Mount, head of the Policy Unit in 10 Downing Street, predicted in 1983, 'a feeling of frustration and impatience may build up very quickly'.⁶⁹ The persistence of unemployment puzzled Thatcher's inner circle. As late as May 1985, advisors from the Policy Unit in Downing Street admitted that 'nobody yet understands why the register has been growing over the past few months'.⁷⁰ Analyses casting the unemployment issue primarily in market terms struck Conservatives as incomplete and needing to be augmented by other factors.

The Prime Minister was probably less surprised than her advisors because she had long been convinced that, beyond creating economic obstacles, the welfare system had morally deleterious effects. Referring

67. For internal discussions, see TNA, PREM 19/1157, Ferdinand Mount and Alan Walters, 'Unemployment: the next steps', note, 27 Sept. 1982, p. 1; P.L. Gregson, 'Reports on Unemployment by CPRS and No.10 Policy Unit: Follow-Up', secret note, 20 Sept. 1982, p. 2; CPRS, 'Unemployment: Issues for discussion and decision', draft note, n.d. [Sept. 1982], p. 4.

68. I. Crewe, 'How to Win a Landslide Without Really Trying: Why the Conservatives Won in 1983', in A. Ranney, ed., *Britain at the Polls: A Study of the General Election* (Durham, NC, 1985), pp. 155–96.

69. TNA, PREM 19/1161, Ferdinand Mount, 'Unemployment', secret minute, 24 June 1983, pp. 1, 3.

70. TNA, PREM 19/1569, Oliver Letwin, 'Unemployment', secret minute, 16 May 1985, p. 2.

to institutional arrangements that linked various forms of social security payments, she had already fumed in 1980 that, once in the system, claimants received ‘every possible benefit and discretionary help while to be proudly but poorly independent is to be *worse* off, and full of resentment’.⁷¹ For Thatcher, social security amounted to a moral provocation because it discouraged self-dependence. Ferdinand Mount agreed that specific groups contained a substantial proportion of individuals who refused to engage with the labour market. In addition to many of the long-term unemployed, he drew attention to ‘young single people’, who allegedly preferred a weekly welfare check of £20 to wages of around £80. ‘These people really do not try to seek work’, he concluded.⁷² By supposedly encouraging a large number of the unemployed to withdraw from the labour market, the welfare system directly compromised self-dependence—and inflated the official statistics.

By suppressing self-reliance and individual effort, the welfare state thus undermined values that formed the core of the Prime Minister’s Conservative beliefs. Reversing what she saw as pervasive moral erosion was a crucial task for the government in Thatcher’s eyes. Calls for a new moral compass textured discussions behind closed doors as much as they did Thatcher’s public speeches about a need for the restoration of ‘Victorian values’. Ferdinand Mount, for instance, recalls the Prime Minister impressing on him, as he took up his position as government advisor in 1982, that ‘we really have to address ... the values of society ... Personal responsibility is the key’.⁷³ Thatcher regarded her pro-market reforms as an integral part of this moral reform project. As she famously declared in 1981, ‘Economics is the method; the object is to change the soul’.⁷⁴

Thatcher’s calls for moral regeneration chimed with long-standing suspicions among Conservatives about welfare abuse. Rising unemployment figures during a period of economic growth also reinforced these concerns. In the Twenties, Conservative politicians had insisted that the unemployed should prove they were ‘genuinely seeking work’ as a condition for welfare payments. Although widely criticised as degrading and ineffective, pervasive means-testing was at its height in the Thirties. Conservative concern about benefit fraud persisted throughout the post-war period; in the mid-Seventies, the Conservative MP Iain Sproat accused one-fifth of welfare recipients of being cheats.⁷⁵ In early 1985, the Secretary of State for Employment,

71. TNA, PREM 19/523, handwritten comment by Margaret Thatcher on ‘Minute to the Prime Minister’, Dec. 1980, p. 5 (underlining in the original).

72. TNA, PREM 19/1161, Mount, ‘Unemployment’, 24 June 1983, p. 3.

73. Ferdinand Mount, *Cold Cream: My Early Life and Other Mistakes* (London, 2009), pp. 288–9.

74. Margaret Thatcher, interview for *Sunday Times*, 3 May 1981, available at MTFW, no. 104475.

75. On the welfare regime of the Thirties, see A. Deacon, *In Search of the Scrounger: The Administration of Unemployment Insurance in Britain, 1920–1931* (London, 1976). For reports on Conservative polemics against welfare fraud, see *The Guardian*, 12 July 1976, p. 4, and 26 July 1976, p. 5.

Tom King launched an experimental initiative to substantiate rumours of endemic welfare fraud. He ordered a 'major fraud drive' in the Thames Valley, where unemployment remained high despite, as a government report put it, a 'relatively buoyant' labour market. Between the middle of May and early July 1985, fraud officers interviewed around 2,300 jobless people, focusing on long-term benefit recipients and claimants with professional qualifications. Initial internal reports suggested that the measures doubled the rate of fraud detection, leading to the withdrawal of 700 claims and saving the taxpayer £500,000. Although these figures subsequently turned out to have been inflated, the government declared the pilot a success and ordered further fraud investigations.⁷⁶

In part, these exercises sought to counteract a lack of knowledge about the scale of abuse—a problem that the government had itself inadvertently exacerbated in 1981, when it significantly reduced the number of social security caseworkers after a cost-cutting exercise. This resulted in looser oversight of the unemployed and a substantial fall in prosecutions for welfare fraud.⁷⁷ But even when the government devoted more resources to fraud detection, its extent remained uncertain because welfare abuse, by definition, involved subterfuge and as such defied reliable quantification. This was understood by the government; a 1988 White Paper entitled *Training for Employment* conceded that the 'scale of abuse is, by its very nature, difficult to gauge'. Rather than treat this lack of secure knowledge as a reason for caution, however, the publication went on to argue that '[n]evertheless, recent evidence strongly suggests that there is a problem'.⁷⁸ When it came to fraud, the government bore a low burden of proof since it merely had to demonstrate that the phenomenon existed rather than determine its extent.

The fact that accusations of widespread benefit fraud rested on uncertain factual foundations was not a political problem for the government because significant sections of British society already regarded welfare recipients with suspicion. The *British Social Attitudes Survey* for 1983 revealed that 65 per cent of respondents believed that 'large numbers of people these days *falsely* claim benefits'.⁷⁹ Drawing attention to social security fraud was thus bound to prove a popular

76. TNA, LAB 116/46, 'Thames Valley: Experimental Fraud Exercise', report, 19 July 1985; 'Characteristics of the Unemployed', note, April 1985; 'Thames Valley Exercise, report, 12 Sept. 1985'. For a positive report on the operation in Thames Valley, see *The Times*, 31 Aug. 1985, p. 3.

77. Tom King asked for additional Unemployment Review Officers to investigate abuse: TNA, PREM 19/1569, J.B. Unwin, note for Prime Minister, 22 July 1985, p. 2. On the details of the 1981 reform, see Price, *Office of Hope*, pp. 206–13. The annual number of prosecutions fell from 9,000 to 2,000 between 1981 and 1985. See TNA, PREM 19/1839, David Willetts, 'Workfare', note, 9 May 1986, p. 2.

78. *Training for Employment*, PP, 1988, Cm 316, p. 33.

79. N. Bosanquet, 'Social Policy and the Welfare State', in R. Jowell and C. Airey, eds., *British Social Attitudes: The 1984 Report* (Aldershot, 1984), pp. 75–102, at 81 (italics original).

move. The fraud investigations that began in 1985 culminated in a cluster of press reports in May 1986 that cast doubts on the status of unemployed welfare recipients. The mere prospect of official scrutiny had allegedly prompted scores of claimants to remove themselves from the register for fear of prosecution. Citing officials, the *Daily Telegraph* claimed that 'the number of long-term unemployed ... "melted like snow" when invitations were sent out' since many people were either not seriously looking for work or actually were 'employed in hotels, driving taxis, and working on construction sites'. The *Daily Mail* went so far as to declare that 1 million unemployed—or one third of all claimants—engaged in fraud, calling for 'a crackdown on dole scroungers' and a 'blitz on job cheats'.⁸⁰ The social security system, these articles argued, was habitually misused by people who bore no resemblance to the desperate unemployed workers that *Boys from the Blackstuff* had portrayed on television just a few years earlier. Rather, large numbers of claimants, the charge ran, displayed criminal tendencies by either avoiding regular employment altogether or working in the black economy.

If, as government and the conservative press argued, current arrangements not only condoned but promoted immoral and illegal behaviour, the welfare state required fundamental reform. Increasingly concerned about the issue, Margaret Thatcher lost faith in Tom King as Secretary of State for Employment and promoted David Young to the post in September 1985. Young, who had made a fortune in property management before becoming a government advisor, was highly esteemed by Thatcher because of his commercial credentials and his energetic, practical approach to complex policy matters, an appreciation encapsulated in the Prime Minister's reported assessment that 'other people bring me problems, but David brings me solutions'.⁸¹ Several months before his appointment, Young had written to Thatcher that the key to the employment problem lay in what he termed 'increasing incentives to work'.⁸² As Employment Secretary, he specified his intentions in a secret minute that outlined his plan a mere five weeks after his appointment, explaining that 'we will be working with a combination of carrots and sticks, but we must exercise great care that the sticks are never seen'. While the overall programme 'must be presented in a spirit of concern for the long term unemployed', Young was clear that 'we must tackle the will to work'.⁸³ Young thus promised Thatcher a framework in keeping with her values.

Building on the ideas of his predecessor, Young's plan concentrated on the long-term unemployed, who made up around one-third of the total

80. *Daily Telegraph*, 14 May 1986, p. 1, and 15 May 1986, p. 16; *Daily Mail*, 14 May 1986, p. 2.

81. Keith Joseph, minute to Margaret Thatcher, 30 Apr. 1980, available at MTFW, no. 120206. On the circumstances surrounding Young's appointment, see Moore, *Margaret Thatcher*, ii. 439–40.

82. TNA, PREM 19/1569, David Young to Margaret Thatcher, note, 6 June 1985, p. 2.

83. TNA, PREM 19/1839, David Young, 'Enterprise and Employment', secret note, 1 Nov. 1985, p. 4.

count. Launched under the upbeat name 'Restart', his proposals hinged on the legal stipulation that unemployed recipients of welfare payments had to be 'available for work' or face the withdrawal of their benefits. To find out who qualified as available for work, Young instructed Jobcentres to call those who had been registered as unemployed for more than twelve months for a formal interview with a caseworker, thereby effectively extending the tool that his predecessor had used to identify welfare abuse. At the end of these meetings, the unemployed were presented with 'carrots' in the form of options, most of which were established labour market tools. The state offered job training, employment in the job-creation scheme known as the 'Community Programme', and a subsidy of £20 for low-income work that paid less than £80 per week. The only new labour market instrument came in the form of the 'Jobclub', which provided small groups of jobseekers with assistance with applications, advice on job-hunting strategies and free office supplies. This was an import from the USA, where Jobclubs had proven a successful means of reintegrating unemployed individuals into the labour market in a cost-efficient manner.⁸⁴ Crucially, those welfare recipients who failed to attend an interview or declined all of these various options faced a big 'stick': they could have their social security payments stopped. Although most options included in Restart had existed throughout the Eighties or longer, the new programme initiated a shift in unemployment policy. While camouflaging its disciplinarian dimensions by presenting the unemployed with choices, Young's approach relied on state control to ensure that the unemployed became active rather than remain the passive recipients of public payments that had so enraged the Prime Minister.

Although Young's measures addressed Thatcher's moral concerns, she was initially sceptical. She thought that a proposal which relied principally on existing labour market tools did not go far enough. The Prime Minister looked towards the United States, where unemployment had fallen from 11 per cent to 7.3 per cent in the first half of the Eighties as the service sector created two million jobs.⁸⁵ Leading Cabinet members attributed this trend to the United States' general 'enterprise culture[,] more rapid deregulation[,] slower growth of real wages[,] ... less unionization', as well as 'a lower level of welfare underpinning real wages'.⁸⁶ These developments in the American labour market spurred the interest in US approaches to welfare reform on the other side of

84. On job clubs in the USA, see N.H. Azrin and V.A. Besalel, *Job Club Counselor's Manual: A Behavioral Approach to Vocational Counseling* (Baltimore, MD, 1980).

85. For the US labour market data, see 'Labor Force Statistics from the Current Population Survey', US Bureau of Labor Statistics, available at <http://data.bls.gov/timeseries/LNS14000000> (accessed 4 Sept. 2016); L.M. Plunkert, 'The 1980s: A Decade of Job Growth and Industry Shifts', *Monthly Labor Review*, cxliii, no. 9 (Sept. 1990), pp. 3–16.

86. TNA, PREM 19/1312, 'Seminar on Employment and Industry: Meeting Held at 10 Downing Street on 25 May 1984', secret minute, p. 2. See also TNA, PREM 19/1311/2, Treasury, 'Employment in the USA', note, 5 Aug. 1983. See also the admiration for the United States in Lawson, *View From No. 11*, pp. 428–31. On the US labour market, see Plunkert, '1980s'.

the Atlantic. The inclusion of Jobclubs in Young's proposal is one illustration of the appeal of American initiatives.

Thatcher found the notion of 'workfare', which had emerged in the United States in the late Sixties, particularly compelling.⁸⁷ A neologism merging the words 'work' and 'welfare', workfare envisaged a social security regime in which welfare payments were contingent on a recipient's willingness to take up publicly funded jobs. Workfare concepts emerged from highly racialised debates about the causes of American urban 'ghetto' poverty in the Sixties, which conservative commentators linked to an overwhelmingly African American 'underclass' that had purportedly become dependent on welfare and whose members possessed neither the skills nor the motivation to improve their lot through a wage-earning occupation. Accepting publicly subsidised employment in return for social security support would, advocates argued, familiarise Americans who had long lacked a job with the habits and aspirations required to secure regular employment. Although it had only been patchily implemented since the early Seventies, workfare could replace a culture of welfare dependency with one of self-reliance—or so supporters of the idea contended.⁸⁸

The Prime Minister found workfare attractive because it was defined by an obligation to work. As early as 1982, she had called for plans 'to move to a system where unemployed people would be obliged to make some contribution to the community as a condition for receiving benefits'.⁸⁹ Rather than welfare payments being an expression of social solidarity, in Thatcher's view they established a liability on the part of recipients. Yet it was the notion of an obligation to work that led advisors to caution her against adopting workfare policies. Public debate over workfare, policy-makers feared in early 1983, would generate 'considerable resistance to any system of compulsion'. Moreover, Thatcher was warned that employers would shy away from a scheme that involved individuals being forced to perform certain tasks and therefore lacking positive motivation.⁹⁰ Above all, workfare clashed with the government's economic policies because it would burden the state with the task of providing large numbers of publicly funded jobs. If welfare payments were to be contingent on accepting publicly funded employment, after all, the state would have to guarantee a

87. Thatcher probably learned about workfare from Alan Walters: TNA, PREM 19/1157, Ferdinand Mount and Alan Walters, 'Unemployment: The Next Steps', note, 27 Sept. 1982, pp. 1, 5. She expressed renewed interest in workfare in April 1986; see TNA, PREM 19/8139, David Norgrove to John Lambert, note, 8 Apr. 1986.

88. See M.B. Katz, 'The Urban "Underclass" as a Metaphor of Social Transformation', in M.B. Katz, ed., *The 'Underclass' Debate: Views From History* (Princeton, NJ, 1993), pp. 3–23; J. Mittelstadt, *From Welfare to Workfare: The Unintended Consequences of Liberal Reform, 1945–1965* (Chapel Hill, NC, 2005), pp. 155–73.

89. TNA, PREM 19/1157, Michael Scholar to J.B. Shaw, 15 Oct. 1982.

90. TNA, PREM 19/1161, 'Workfare', note, n.d. [27 Jan. 1983], p. 2; Department of Employment, 'Employment Measures', note, n.d., p. 3.

sufficient number of positions. 'The state is taking on the responsibility of employer of last resort for welfare claimants', an advisor cautioned in 1986.⁹¹ Workfare would thus expand the state's entanglement in the economy. Conservatives, who regarded the state's existing economic involvement as one of Britain's prime problems, were bound to find proposals along these lines unpalatable on ideological grounds. In short, the debate about workfare revealed tensions between Thatcher's desire to combat the supposed immorality of welfare recipients and her dedication to promoting market mechanisms.

Despite wariness about the economic implications of American-style workfare, the concept acted as a stimulus for policies that placed a stronger obligation on those out of work. In May 1986, David Young penned a detailed note to convince the Prime Minister of the merits of his approach, stating that his new policy actually introduced 'workfare as one element ... in a much tighter benefit regime'. In his view, compulsory Restart interviews established 'new, tighter procedures for testing availability for work and for imposing benefit sanctions'. Overall, his measures offered the 'certain prospect of exposing those who are not genuinely unemployed' by confronting undeserving beneficiaries with a punitive mechanism. At the same time, he emphasised that his proposals avoided an 'open ended commitment to provide work for the unemployed'.⁹² The Employment Secretary drew Thatcher onto his side by promising the best of two worlds: his programme, he argued, exerted moral pressure on social security recipients while restricting the state's direct economic intervention. By insisting that the unemployed accept one of the four options in Restart, the new policy hinged on the premise that the jobless had an active role to play if they wanted to escape their lot. It thus eroded the notion of the unemployed as victims of economic problems. At the same time, Young's framework began to recalibrate the relationship between welfare recipients and the state along more disciplinarian lines because it placed those without a job under stricter official supervision, transferred responsibility for unemployment to the individual, and thereby promoted the core conservative value of self-dependence.

V

The reforms to unemployment welfare introduced in 1985 and 1986 caused relatively little public strife. In Parliament, the measures triggered no extended controversy because they amounted to administrative adjustments that did not require new legislation. As a result, no parliamentary debate in which the opposition could criticise the government took place. In the press, politically progressive and left-wing

91. TNA, PREM 19/1839, David Willetts to Margaret Thatcher, note, 9 May 1986, p. 1.

92. TNA, PREM 19/1840, David Young, 'Workfare', note, 2 May 1986, paragraphs 7–9.

commentators dismissed the scheme as largely inconsequential because they continued to regard publicly funded job-creation programmes as far more effective tools to combat unemployment.⁹³ The government, meanwhile, could present Restart as part of a strategy that had successfully re-energised the British economy. During the so-called 'Lawson boom' that culminated in annual GDP growth of 5 per cent in 1988, unemployment eventually began to fall, from 3.4 million in early 1986 to 2.9 million in June 1987, when the government secured a majority of 102 in a general election.⁹⁴

Amid favourable economic and political conditions, the administration increased the pressure on recipients of social security. From October 1986, the government required all who had been out of a job for six months—as opposed to twelve months, as previously—to attend Jobcentre interviews, and expanded the number of Jobclubs from 200 to 1,000.⁹⁵ It also continued to portray social security fraud as endemic. In May 1988 Norman Fowler, who had succeeded David Young as Employment Secretary, went on the air to declare that the practice could be found 'throughout the nation ... People are working and claiming deliberately at the same time'. Indeed, the government saw itself engaged in nothing less than a 'benefit war'.⁹⁶ In addition to identifying the black economy as a problem, the administration remained adamant that, despite Restart, many unemployed people still were not seriously seeking work. At the Conservative Party conference in October 1988, several speeches invoked this theme. The Social Security Secretary, John Moore, phrased his stance as a rhetorical question: 'Is it right that an able-bodied adult can draw unemployment benefit ... without making any real effort to find work?'⁹⁷

The answer took the shape of new, and significantly more punitive, social security legislation. A fall in unemployment to 2.1 million in October 1988 increased suspicions about those remaining out of work.⁹⁸ Indeed, the administration repeatedly insisted that work was available to whoever wished to take it up. The 1988 White Paper entitled *Training for Employment* claimed that 'in a typical month, there are currently 700,000 unfilled vacancies in the economy'.⁹⁹ Norman Fowler's Party Conference address pointed out that London featured '150,000 unfilled job vacancies', and Margaret Thatcher

93. See *The Guardian*, 14 Nov. 1985, p. 12, 14 Nov. 1985, p. 19, 20 Mar. 1986, p. 23, and 20 Mar. 1986, p. 32.

94. For the figures, see Denman and McDonald, 'Unemployment Statistics', pp. 10–11; Jackson and Saunders, eds., *Making Thatcher's Britain*, pp. 260, 271. On the Lawson boom, see Moore and Vinen, *Thatcher's Britain*, pp. 205–8; Moore, *Margaret Thatcher*, ii. 680–82.

95. Price, *Office of Hope*, p. 248; *The Times*, 3 Oct. 1985, p. 5.

96. *The Times*, 3 May 1988, p. 1; Norman Fowler, interview on LBC, 3 May 1988, available at bufvc.ac.uk/tvandrado/lbc/index.php/segment/0003700212001 (accessed 2 Feb. 2016).

97. John Moore, extract of speech at Conservative Party conference, available at bufvc.ac.uk/tvandrado/lbc/index.php/segment/0009600278013 (accessed 2 Feb. 2016).

98. Denman and McDonald, 'Unemployment Statistics', pp. 10–11.

99. *Training for Employment*, p. 9.

spoke in an interview in October of 'places where it was difficult to find people to do even unskilled jobs'.¹⁰⁰ Such arguments disregarded the circumstance that the labour market of the late Eighties remained characterised by strong regional disparities that arose from high concentrations of the unemployed in recently heavily deindustrialised areas of Scotland, Wales, the north of England and the Midlands, while new employment primarily emerged in a service sector that expanded most rapidly in London and south-east England. A mismatch between the skills of the many people out of work and those required in the service sector exacerbated this scenario. Irrespective of the expanding economy and a growing workforce, Britain continued to suffer from classic structural unemployment as a result.¹⁰¹

The coexistence of unfilled jobs and substantial numbers of people on out-of-work welfare prepared the ground for a Social Security Bill that redefined the relationship between the unemployed and the state along lines that the Conservatives had discussed since the late 1970s. At the second reading in January 1989, John Moore characterised current arrangements as dysfunctional because, in his view, they facilitated benefit fraud and failed to match the unemployed with open positions. To remedy this situation, he advanced two new stipulations that redefined the rights and responsibilities of those out of work. From now on, the unemployed not only had to be available for work but also to do 'everything reasonable to find work'. In other words, social security recipients were obliged to demonstrate a consistently active search for employment or risk losing financial support. Current legislation, Moore pointed out, included no such requirement, as 'many will be surprised, if not horrified, to learn'. This new provision lent stronger legislative expression to the government's long-standing conviction that the unemployed bore considerable responsibility for their condition and thus sought to strengthen the principle of self-dependence further.

A second clause of the Bill lent this motif a neoliberal dimension. In the future, unemployed people on welfare would enjoy a grace period of only thirteen weeks in which they could decline a job offer because of its level of pay. After that period, claimants would be required to accept any job deemed 'suitable' by administrators. Moore explained 'that newly unemployed people should be able to concentrate their efforts on finding employment in their usual occupations and at wages similar to the ones they have been used to receiving'. By contrast, those out of work for a more extended time, he stressed, had to realise that 'the rates of pay that they can realistically command' would be below their previous incomes. The obligation to accept lower-paid work reflected the premise that unemployment benefit, as Moore argued,

100. *The Times*, 13 Oct. 1988, p. 8, and 26 Oct. 1986, p. 16.

101. Prominent voices drew attention to these problems in public. See R. Layard, *How to Beat Unemployment* (Oxford, 1986), pp. 113–26; G. Therborn, *Why Some People are More Unemployed Than Others: The Strange Paradox of Growth and Unemployment* (London, 1986).

was 'for those ... who are temporarily unable to find a job'. This new stipulation was designed to expose the unemployed to the laws of supply and demand in the labour market. To highlight this point, he resorted to a turn of phrase the Conservatives had used throughout the decade to characterise those lacking paid employment: '[C]laimants cannot continue indefinitely pricing themselves out of any job they might realistically be expected to get'.¹⁰² From now on, supply and demand—rather than welfare payments for the unemployed—should determine the income levels of substantial sections of the population. The government obliged the unemployed to return to the labour market without consideration of social status. It was thus in 1989 that social policy institutionalised the downward flexibility in wages that Keith Joseph had called for more than a decade earlier. The new welfare law linked the conservative principle of self-dependence to the government's belief in the efficacy of supply-and-demand mechanisms. Rather than protect the individual from the market, welfare policy here aimed to make them conform to it.

The opposition was irate. 'The Government', Labour's Margaret Beckett charged, 'have moved on from merely wishing to blame unemployment on its victims [to] harass[ing] and hound[ing] them to an extent, which is without precedent in ... our social security law'. Labour anticipated a 'devastating' social impact because the new legislation would 'drive some of the [unemployed] nearly crazy' by forcing them into low-paid, part-time and temporary work.¹⁰³ As much as unemployment itself, Beckett complained that the social security framework now posed a social and psychological threat. Frank Field, one of the country's most prominent anti-poverty campaigners, objected for different reasons. While emphasising his position that 'unemployed people have a duty to use everything in their power to find work', he denounced the manner in which the government altered the relationship between state and individual. 'It changes the duties and responsibilities of the individual to seek work' but included 'nothing about the duties and responsibilities of the state to ensure that work is available'. Field found this lack of reciprocity deeply unfair.¹⁰⁴

Although Field and Beckett castigated the government's initiative, their critiques were hampered by a severe obstacle: they did not outline a coherent alternative to the government's proposals for a reduction of unemployment. This silence reflected a state of ideological limbo from which the Labour Party failed to escape during the debate of the Social Security Bill. For decades, Labour had adhered to Keynesian recipes for combatting unemployment by restoring growth through public investment. In the late Eighties, recommendations along

102. Hansard, 6th ser., 10 Jan. 1989, vol. 144, cc. 714, 715, 717.

103. Ibid., cc. 724, 728.

104. Ibid., cc. 732–3.

these lines rang altogether hollow because unemployment persisted despite exceptionally strong economic growth. Since Labour was not prepared for this combination of circumstances, it lacked a constructive counterproposal and so failed to challenge the government effectively.

The government could also enact substantial reforms because it no longer faced the large-scale public protests by the unemployed that trade unions and religious organisations had orchestrated in the early Eighties. This state of affairs partly reflected the ongoing erosion of trade union power that resulted from the defeat in the Miners' Strike, incremental legislative changes and a fall in union membership because of the structural changes in the British economy.¹⁰⁵ As a result, it proved impossible to mobilise public opinion on behalf of those out of work. When a group of unemployed men and women marched from Jarrow to London in October 1986 to commemorate the fiftieth anniversary of the Hunger Marches and highlight Britain's unemployment count of 3.2 million (11.6 per cent), their reception by a small group of Labour MPs and trade union officials in Trafalgar Square barely registered in the media.¹⁰⁶ In sharp contrast to the early Eighties, the unemployed had lost much of their public visibility by 1986.

Beyond liberating the government from a major source of political conflict, the decline of public protests against persistently high unemployment rendered those who were out of work not just socially but also culturally marginalised. The absence of effective advocates with connections to political decision-makers resulted in public silence about personal experiences of unemployment. In November 1988, a rare first-person account by a jobless female welfare recipient published in a national newspaper articulated the frustrating consequences of public invisibility. Regardless of whether unemployment and poverty were debated in conservative or progressive circles, she wrote, 'most poor people never get a word in. It's almost a private conversation between government and experts. We're like a bone that's picked over'. Her life was characterised by 'other people making decisions for you' with no scope for contestation.¹⁰⁷ The discursive exclusion of the unemployed removed potential challengers of government policy from the public sphere, silencing them effectively and rendering them largely invisible in the second half of the Eighties. That silence and invisibility indirectly supported the notion of benefit recipients as passive individuals. Cultural marginality, in other words, recast the unemployed in the very image of inactivity that political Conservatives had long used to paint them as immoral.

105. For an analysis of trade unions in the Eighties, see B. Towers, 'Running the Gauntlet: British Trade Unions under Thatcher, 1979–1988', *Industrial and Labor Relations Review*, xlii (1989), pp. 163–88, esp. 174–80; D. Marsh, *The New Politics of British Trade Unionism: Union Power and the Thatcher Legacy* (Ithaca, NY, 1992), pp. 110–38, 164–90.

106. For brief reports, see *The Guardian*, 3 Nov. 1986, p. 32; *Daily Mirror*, 3 Nov. 1986, p. 2.

107. *The Guardian*, 14 Dec. 1988, p. 21.

Finally, the changing composition of the Cabinet played a major role in establishing a new strategy *vis-à-vis* unemployment. After the landslide victory of 1983, one-nation Conservatives such as James Prior were replaced in the government by economic liberals who viewed social security expenditure as a harmful distortion of the labour market.¹⁰⁸ Repeated electoral success and sustained economic growth allowed the administration to pursue a reform of the social security framework that began with an inquiry into the causes of Britain's purported decline, led to a sustained search for new policy principles in the early Eighties, and culminated in concrete political measures in the decade's second half. The appointment of David Young as Secretary of Employment in 1985 proved a crucial turning-point towards a more punitive policy regime that responded to Thatcher's pronouncements about the welfare system's supposed immorality. At the end of the Eighties, the government enacted a twofold mechanism to prevent the unemployed from pricing themselves out of jobs by exposing them to market forces.

VI

By the late Eighties, British social policy no longer regarded the unemployed as victims but as individuals who bore responsibility for their work status. This transformation was enshrined in legislation that fundamentally weakened the principle of social insurance both by reducing the value of social security payments and by linking financial support to stringent conditions. Despite provisions for training and support, this unemployment policy possessed pronounced disciplinarian traits because it hinged on the threat of stopping social security payments. By pressuring the unemployed to return to work irrespective of the wages on offer, the state established mechanisms for the creation of a labour market with falling pay that Thatcherite Conservatives had regarded as a key component of unemployment policy since their opposition days. British unemployment policy of the Eighties provides an early example of a textbook neoliberal reinvention of the social. While weakening welfare's socially protective dimension, the reforms sought to reduce unemployment by fashioning the state into a promoter of market mechanisms—a sharp contrast to its previous role of shielding individuals from the vagaries of the market itself. This approach amounted to a quintessentially *neoliberal* manoeuvre because, rather than rely on the minimalist state of nineteenth-century economic liberalism, the Conservatives mobilised the state actively to create and sustain a market for those out of work.

Thatcher's policies turned those who were out of work into market participants by exposing them to the forces of supply and demand. As the new legislation eroded collective protection against the risk of

108. Moore, *Margaret Thatcher*, ii. 64–76.

income loss and emphasised the responsibility that individuals bore for their employment status, it redefined the social citizenship of millions of Britons. Although social citizenship was recast in keeping with market rationales and the unemployed were therefore conceived of as *homines oeconomici*, policy-makers did not envision entrepreneurial selves for the unemployed. Indeed, the maximisation of self-interest—a key component of the conceptualisation of the entrepreneur—was conspicuous by its absence in government plans that directed the unemployed towards low-paid work. Rather than into subjects who took advantage of the market, the government turned the unemployed into objects who made themselves available on the market at a low price. The unemployment reforms thus advanced a moral economy of disempowered self-dependence by extolling the virtues of work in subordinate market positions.

Unemployment debates came to revolve around an increasingly narrow and economic relationship between self and work. At the beginning of the Eighties, public pronouncements repeatedly emphasised the importance of work for self-fulfilment and social identity. In the course of the decade, the government enacted legislation steeped in cultural conservatism that celebrated the virtues of hard work, thrift and self-dependence. Indeed, Thatcher viewed her administrations as advancing not just economic reforms but a moral reform project that aimed to reverse the supposedly deleterious effects of welfare provision since the Second World War. Historians have rightly stressed that Thatcherism generated an economic boom accompanied by forms of materialism that were fundamentally at odds with the Prime Minister's own values. Yet, one should not overlook the way in which she simultaneously succeeded in imposing these very values on millions of lower-class Britons via social policy reform. In the latter context, Thatcherism's moral reforms yielded significant effects, not least by establishing a strong obligation to find and accept work or risk stigmatisation as a 'scrounger' and criminal.

Driven by both economic and moral impulses, Thatcherism's social policies took shape in lengthy discussions within government circles. Although Patrick Minford's study of the causes of unemployment was warmly received by the government as early as 1982, it took several years for legislation to enact central features of his recommendations. Changes in the media coverage of social issues, cabinets increasingly dominated by Thatcherites, the erosion of trade-union power, the return of sustained economic growth: all these were prerequisites for new unemployment policies—and they took time to come into existence. At the same time, tensions within Thatcherism complicated the search for new unemployment policies. As the discussions surrounding American workfare concepts as well as the Prime Minister's initial scepticism about David Young's Restart proposals indicate, economically liberal and culturally conservative impulses

generated conflicting policy aims, not least in relation to the economic role of the state. Designing an ideologically acceptable and practicable policy solution to unemployment thus turned into a meandering, time-consuming affair for British Conservatives.

Despite the intense interest that sociologists and political scientists have lavished on recent transformations of the welfare state, reconstructing the individual steps of policy formation remains the domain of fruitful historical work. Unlike social scientists, whose enquiries are frequently oriented towards the present and therefore do not draw on archival research, historians can use a broader range of government records that allow them to identify the varied interests and ideological impulses involved in policy formation. Nevertheless, social scientists and contemporary historians stand to profit from one another both conceptually and empirically. Viewed through the records of the Prime Minister's office, Thatcherite welfare reform emerges as a project shaped by economic liberalism and cultural conservatism that relied on state institutions to enact disciplinarian policies. Taking up Andrew Gamble's formulation, the 'strong state' and the 'free economy' did not stand in tension in the context of social policy; on the contrary, they complemented each other. This constellation shows that Thatcherite welfare reforms fit into a broader pattern of social policies that social scientists have labelled neoliberal for advancing market rationales through state institutions. At the same time, Thatcherite welfare reform went beyond market rationales because it was equally shaped by cultural conservatism. Stephan Lessenich's classification of recent welfare changes as 'neosocial' proves exceptionally apt for drawing attention to the disparate ideological motivations (including cultural conservatism) that have shaped such new policies. Beyond carefully reconstructing the steps of policy formation, contemporary historians are thus well placed to intervene in the conceptual debates among social scientists.

The approach to unemployment pioneered under Thatcher established a lasting political pattern in Britain. Her successor, John Major, replaced Unemployment Benefit with a social security payment entitled 'Jobseeker's Allowance' in 1995, which those who had lost their job could claim for six months as long as they demonstrated that they were 'actively seeking employment'. In addition to halving the maximum benefit duration, the new payment recategorised an insurance-based form of social security as an 'allowance', a term underlining a significantly weakened entitlement to support. These measures represented another step in the market-oriented recalibration of individual rights and obligations. As the Employment Secretary Michael Portillo pointed out at the time, the unemployed needed to understand that 'there is no God-given right for any person to be idle and live off others'.¹⁰⁹

109. *The Guardian*, 11 Jan. 1996, p. 6.

The return of the Labour Party to power in 1997 only partially altered approaches to unemployment policy. With its agenda to increase equal individual opportunity, Tony Blair's government invested significantly in training schemes to reduce youth and long-term unemployment, created incentives for employers to hire people with patchy employment records, and introduced a minimum wage. While these measures ensured rising employment rates into the new millennium, New Labour affirmed the disciplinarian elements in unemployment policies that had been established by their Conservative predecessors. This continuity reflected Tony Blair's firm conviction that 'the rights we receive should reflect the duties we owe'.¹¹⁰ In keeping with this ethos, New Labour retained a strong obligation for the unemployed to accept the work that was available. A return to previous social security arrangements struck Blair and his adherents as an unrealistic prospect, as the British Prime Minister stated in a paper co-authored with the leader of the German Social Democrats in 1998: 'A welfare system that puts limits on an individual's ability to find a job must be reformed. Modern social democrats want to transform the safety net of entitlements into a springboard for personal responsibility'.¹¹¹ Indeed, the Jobseeker's Allowance remained a central plank in New Labour's strategy to move people from 'Welfare to Work' because it ensured that those out of work would quickly adopt the 'personal responsibility' of accepting a job.¹¹² The reinvention of the social through new unemployment policies has thus become a lasting feature of the British welfare state.

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110. This is from Blair's *Spectator* Lecture delivered on 22 Mar. 1995. For the full speech, see T. Blair, 'The Rights We Enjoy, the Duties We Owe', in his *New Britain: My Vision of a Young Country* (1996; Oxford, 2004), pp. 236–43, at 238.

111. T. Blair and G. Schröder, *Europe: The Third Way/Die neue Mitte* (Bonn, 1998), p. 10.

112. See M. Hewitt, 'New Labour and Social Security', in M. Powell, ed., *New Labour, New Welfare State? The 'Third Way' in British Social Policy* (Bristol, 2000), pp. 149–70. See also K. Stewart, 'Equality and Social Justice', in A. Seldon, ed., *Blair's Britain, 1997–2007* (Cambridge, 2007), pp. 408–35.