

# **Welfare Dependence and Dynamics in Britain**

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## **Abstract**

British policymakers have long sought to curb reliance on welfare benefits, particularly among lone mothers. The erosion of the safety net by Conservatives in the 1980s hinged on the belief that claimants exhibited classic traits of a dependency culture. Poor women were seen to be victims of a system that perpetuated teenage pregnancy, unemployment, and ultimately long-term poverty and benefit receipt. Although less pejorative, the current Labour government has similarly pledged to tackle welfare dependence. Policy debates have been hindered by a shortage of research evidence. This paper adds to a budding literature on welfare dynamics that seeks to fill this gap. It argues that a “culture of dependency” thesis alone cannot explain welfare receipt in Britain, and is therefore an inadequate framework for developing policy.

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## **The Problem: Welfare Dependence**

Welfare dependence has been the Achilles' heel of the British welfare state since its inception. Social assistance was indelibly linked to work and training requirements as early as the Victorian era, when the able-bodied poor were consigned to workhouses to prevent them from being "tempted into a state of pauperism."<sup>2</sup> William Beveridge, the architect of the post-war welfare state, stressed the government's responsibility to enforce citizens' obligations to seek and accept work.<sup>3</sup> Thatcher's erosion of the social safety net in the 1980s also rested on the belief that the tax and benefits system should minimize adverse effects on incentives to work.<sup>4</sup> And the current Labour government has similarly initiated training schemes to "tackle poverty and welfare dependency," particularly among lone mothers.<sup>5</sup>

A "culture of dependency" thesis underpins many of policy strategies for curbing reliance on welfare benefits. Crudely, the thesis posits that perverse incentives of the welfare state foster a distinct culture of poverty, and ultimately long-term welfare dependence. Charles Murray's infamous 1989 *Times* article is perhaps the most prominent application of this thesis to the British welfare state. He argues that cash benefits enable young women to have pre-marital sex and become mothers, "something they would naturally like to do."<sup>6</sup> From his perspective, as long as welfare payments prevent parenthood from being "brutally punishing" to the poor, women will presumably remain lone-mother welfare recipients, rather than becoming workers or wives.<sup>7</sup> Murray also argues that welfare promotes slothfulness by enabling poor people to avoid work entirely or to drop out of jobs they lack discipline to deal with.<sup>8</sup> Policy prescriptions supported by Murray's dependency thesis include stringent work requirements, family caps, or slashing benefits altogether.

Yet the efficacy of the culture of dependency thesis remains open to question. Studies of welfare dynamics in the United States cast serious doubt on the notion of a largely static welfare population: most claimants spend only brief spells on welfare benefits, and tend to move in and out of welfare fairly frequently.<sup>9</sup> This paper adds to a budding literature that uses administrative data to analyze welfare dynamics on the other side of the Atlantic. In particular, dynamics of claimants are explored to determine whether the stereotypical portrait of welfare dependence rings true in Britain.

## **Data and Social Context**

Data were drawn from a government agency responsible for distributing welfare benefits in a metropolitan region of northwest England. The longitudinal dataset is not susceptible to sampling, response, or attrition biases because it includes records of every person who received

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<sup>2</sup> G. Himmelfarb, 'Comment' in R. Solow (ed.), *Work and Welfare* (Princeton, 1998), p. 82.

<sup>3</sup> W. Beveridge, *Social Insurance and Allied Services* (London, 1942), p. 58.

<sup>4</sup> N. Barr and F. Coulter, "Social Security: Solution or Problem?" in J. Hills (ed.), *The Welfare State in Britain Since 1974* (London, 1990), p. 124.

<sup>5</sup> U.K. Department of Social Security, *New Deal for Lone Parents* (London 1997).

<sup>6</sup> C. Murray, "The Emerging Underclass" in R. Lister (ed.), *Charles Murray and the Underclass* (London, 1996), p. 46.

<sup>7</sup> *Ibid.*, pp 42-8.

<sup>8</sup> *Ibid.*, p. 49.

<sup>9</sup> M. J. Band and D. Ellwood, *Welfare Realities* (Cambridge, 1994).

benefits in this area at any of nine-observation points between June 1993 and July 1997. The dataset includes information on over 25,000 able-bodied, working-age individuals who received Income Support at various points during the study period.<sup>10</sup>

The study area has a population of about 220,000. Like other areas in Britain during the mid-1990s, the region experienced falling unemployment and an increasingly buoyant labor market. Registered unemployment fell from double-digits in the early 1990s to just under three per cent in 1997. Unfilled job vacancies also declined during these four years. The demographic profile of the area population is similar to nationally representative samples, and the profile of Income Support claimants is similar to the national claimant pool. So while the data cannot be truly representative of Britain, there are no strikingly unique features of the claimant population in the area that would make national generalizations inappropriate.<sup>11</sup>

### **Findings: Welfare Dynamics**

Analysis of welfare receipt and dynamics in the study area yields three key findings with respect to the culture of dependency thesis. First, personal characteristics of benefit recipients diverged significantly from the portrait of welfare dependence painted by the dependency culture thesis. The typical Income Support recipients in the study area were not teenagers with an abundance of children. Lone parent benefit claimants tended to be well beyond their teenage years, with an average age of about 33 years, and most had only one or two children. Nor do the data support the claim that welfare receipt entices early parenthood among claimants: on average, lone parent claimants had their first child at age 23, long before they started claiming Income Support.

Secondly, the administrative data contest the idea of a largely static, welfare-dependent population. Figure 1 shows a crude picture of the dynamics of benefit claimants over the four-year observation window. Only 40 percent (3,794) of the original stock of Income Support claimants were still receiving this benefit in 1997. About the same proportion (3,817) of these 1993 welfare claimants were “success stories,” having completely exited the data by the summer of 1997. This group likely experienced a boost in household income from work and/or marriage, making them ineligible for Income Support or other means-tested benefits. Another 800 (8 percent) of the original Income Support claimants were receiving housing assistance or other non-Income Support benefits in 1997. These claimants likely moved off of welfare and into low-paid work.

Table 1 provides further evidence of the volatility of the welfare population by describing claiming patters over the entire observation window. Only a small proportion of claimants were on Income Support at each of the nine observation points: less than a quarter of lone parents were “continuous” claimants. While many claimants experienced multiple spells on benefit, most received Income Support for only a single spell and exited the dataset before the summer of

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<sup>10</sup> Income Support was the standard cash benefit available to non-working poor during the study period. Job Seeker’s Allowance is now the primary benefit for the unemployed poor, but was not available at that time.

<sup>11</sup> M. Noble *et al.*, *Lone Mothers Moving In and Out of Benefit* (York, 1998), pp. 5, 65-6.

1997. This dynamic picture is consistent with those revealed in previous studies of welfare dynamics on both sides of the Atlantic.<sup>12</sup>

Finally, explanatory factors underpinning benefit dynamics run contrary to the culture of dependency thesis. According to the logistic regression model detailed in Table 2, the odds of escaping benefits *decline* with age. After controlling for claimant's housing tenure and number of dependent children, the odds of coming off benefit are 0.974:1. This suggests that a 16-year old Income Support claimant has over a 60 percent chance of escaping the system. By contrast, the scenario among older claimants is grim: by the time they reach age 60, chances of escape drop below 33 percent. As Noble and colleagues (1998) suggest, younger claimants may be more likely to escape welfare because they are less removed from the labor market.<sup>13</sup> They may also be more likely to migrate out of the area covered by the administrative data, or more likely to "marry out" of the benefits system. Nevertheless, if any group exhibits traits of welfare dependence within the study area it is older claimants, not teenage mothers.

But what about the claim that welfare has adverse effects on a claimant's desire and motivation to take up paid work? It is virtually impossible to quantify the behavioral impact of the benefits system without a suitable control group. But to the extent a claimant's behavior is influenced by a slothful work ethic, benefit receipt should not be a function of the availability of jobs. Indolent claimants should be expected to avoid work, regardless of the state of the economy. The pooled logistic regression model detailed in Table 3 investigates whether claimants fit this profile. In addition to claimant's housing tenure, age, and number of dependent children, the claimant count unemployment rate for the study area enters the model as a time varying covariant.<sup>14</sup> The dependent variable is a binary for whether claimants had escaped Income Support at any of the nine observation points.

The model suggests that changing economic conditions *do* influence the probability that lone parents will escape potentially welfare-dependent states.<sup>15</sup> Indeed, the coefficient for unemployment (-0.056) indicates that poor labor market conditions can pose a greater barrier to escaping benefits than having increased numbers of dependent children. Compared to the first model, this regression shows that the influence of age on welfare benefits declines after controlling for the impact of local area unemployment. This is consistent with the idea that benefit receipt among young lone parents may be more susceptible to fluctuations in economic conditions than their older counterparts. Thus, the model suggests that benefit receipt was at least partially a function of variations in the local economic climate over the study period.

## Conclusion

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<sup>12</sup> K. Ashworth *et al*, *Income Support Dynamics: Evidence from Administrative Data* (Loughborough, 1997); M. Noble *et al*, "Social Security Dynamics," *Journal of Social Policy*, vol. 27, no. 3 (1998); M. J. Bane and D. Ellwood, *Welfare Realities* (Cambridge, 1994); A. Shaw *et al*, *Moving Off Income Support* (London, 1996).

<sup>13</sup> M. Noble *et al*, "Social Security Dynamics," *Journal of Social Policy*, vol. 27, no. 3, p. 368.

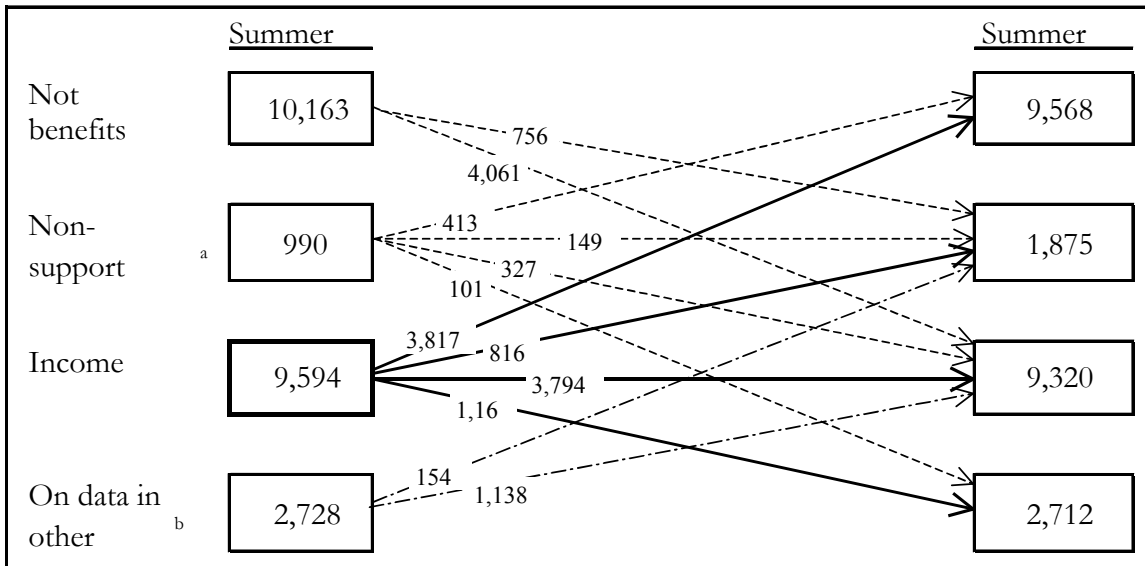
<sup>14</sup> The claimant count unemployment rate is based on the population claiming unemployment benefits at various time points. Co-linearity between Income Support and Unemployment claimants does not interfere with the model because only a negligible number of lone parents fall into this dual claimant pool. U.K. Department of Work and Pensions, *Work and Pension Statistics 2000* (London, 2001).

<sup>15</sup> This finding is consistent with analysis of the influence of unemployment on escapes from poverty. See F. Devicienti, "Poverty Persistence in Britain: A Multivariate Analysis Using the BHPS, 1991 to 1997," ISER Working Paper no. 2001 (University of Essex, 2001).

In sum, the study of welfare dynamics in Britain contests the efficacy of the culture of dependency theory. To be sure, the analysis did reveal echoes of a potential dependency culture. Benefit receipt was geographically concentrated, which could signify a socialization process whereby cultural norms within government-subsidized housing projects establish welfare receipt as legitimate and acceptable. In addition, longer-term benefit use was more pronounced among lone mothers than among other populations. Nevertheless, the stereotypical image of young, promiscuous, unwed mothers who were life-long welfare dependants was far from the norm within the study area. There was also a considerable amount of mobility off Income Support, even within a relatively short period of time covered by the data. Moreover, multivariate models suggest that welfare receipt, particularly among young mothers, was at least partially the consequence of structural barriers to work such as a shortage of suitable childcare and available jobs. In short, the culture of dependency thesis alone cannot explain patterns of benefit receipt in the study area, and therefore provides an inadequate theoretical foundation upon which to base social policies.

However, the pooled regression model fails to account for the aggregate increase in the numbers of benefit recipients in they study area during a period of decreasing unemployment. This points to the need for further empirical and theoretical investigation. The study of welfare dependency, and the possibility of developing appropriate policy responses rests not only on the availability of longitudinal data on claimants, but also on the ability of researchers to reach beyond simplistic ideological frameworks to treat welfare dependence as the complex social phenomenon that it is.

Figure 1. Dynamics of Income Support Claimants, July 1993 and July 1997



a Non-Income Support benefits include family credit, housing benefit and/or council tax benefit.

b Individuals on dataset who are pensioners or are receiving disability benefits

Table 1. Claimant Spells on Income Support, 1993 to 1997<sup>a</sup>

	Lone Parent Claimants (%)	Other Claimants (%)	All Claimants (%)
One spell <sup>b</sup>	45.0	55.7	52.3
Two spells	25.3	23.5	24.1
Three spells	5.9	6.2	6.1
Four spells	1.0	0.9	0.9
Five spells	0.2	-	0.9
Continuous	22.4	13.7	16.5
N	3,056	6,538	9,594

<sup>a</sup> Column percentages do not sum to 100.0 due to rounding error.

<sup>b</sup> Single spell ending before final observation date, July 1997.

Table 2. Logit Model on 1993 Lone Parent Claimants Exiting Benefits by 1997

Variables	B <sup>a</sup>	SE	Exp(B)
Constant	<b>0.904</b>	0.157	2.469
Number dependent children	<b>-0.166</b>	0.036	0.847
Age	<b>-0.027</b>	0.002	0.974
Tenure:			
Council tenant (base)			
Owner-occupier	<b>0.585</b>	0.118	0.180
Private tenant	0.112	0.089	1.125
Model chi square		82.532	
-2 Log likelihood		4,135.116	
N		3,056	

<sup>a</sup> Coefficients shown in bold are significant with a p-value <0.05.

Table 3. Logit Model on Lone Parents Avoiding Income Support, 1993 to 1997 (pooled)

<b>Variables</b>	<b>B<sup>a</sup></b>	<b>SE</b>	<b>Exp(B)</b>
Constant	<b>2.18</b>	0.120	8.820
Number of dependent children	<b>-0.036</b>	0.012	0.964
Age	<b>-0.009</b>	0.002	0.991
Council Housing	<b>-0.204</b>	0.027	0.816
Unemployment rate	<b>-0.056</b>	0.016	0.946
Model chi square		113.787	
-2 Log likelihood		34,4059.777	
N		179,183	

<sup>a</sup> Coefficients shown in bold are significant with a p-value <0.05.