

Benefit envy without benefit

The government is undertaking a massive impoverishment programme, part of which is to cut housing benefits. In a (now not so) recent speech¹, Cameron argued: “If you are a single parent living outside London, if you have four children and you’re renting a house on housing benefit, then you can claim almost £25,000 a year. That is more than the average take-home pay of a farm worker and a nursery nurse put together.” He added: “For literally millions, the passage to independence is several years living in their childhood bedroom as they save up to move out; while for many others, it’s a trip to the council where they can get housing benefit at 18 or 19 – even if they’re not actively seeking work.”²

Cameron presents us with farm workers, nursery nurses and “literally millions” who struggle to pay for housing. He also presents a simple solution to the problems they are facing: get housing benefits. In fact, under current legislation people in work whose earnings and other income are below a certain threshold (set by the state) are entitled to housing benefits, too. But let us assume for the sake of argument that Cameron’s bogeyman was real: The same solution still applied, if two people working full-time take home less than a single parent on out-of-work benefits. A rational choice could be to stop working and to have kids. As for the millions saving up for their mortgage: that does not seem to be a rational choice either – again, assuming for the sake of argument that Cameron’s picture was correct, which it is not –, if all you have to do is quit your job and get a flat provided by the state.

Yet, the fact that there are still thousands of nursery nurses, farm workers and “literally millions” saving up for their mortgages hints that the picture David Cameron paints is not quite right.³ People save up for their mortgages because paying 20+ years for a mortgage after the down payment for buying a house is the only way to avoid poverty later on; people are usually farm workers and nursery nurses because on out-of-work benefits, they would get even less. Housing benefits may pay the rent, but being entitled to them implies neither owning a house as financial security nor having enough money to pay for other needs such as, say, furniture.

Does David Cameron need education about the economic reality of being a farm worker, nursery nurse, or simply being one of “literally millions” in the UK? Perhaps, but there would be little point, as he continued to reveal his real problem with the situation just described: “...when so many people are struggling, isn’t it right that we ask whether those in the welfare system are faced with the same kind of decisions that working people have to wrestle with when they have a child?”⁴

Indeed, we might ask how the nursery nurse and the farm worker are better off by putting more people into misery? What is in it for them? Mind you, David Cameron does not propose to actually alleviate the poverty of “working people”, his problem is not that young people are stuck in their childhood bedroom. He did not propose a programme allowing young people to move out of their parents’ place, to educate them about the availability of housing benefits or to make sure that nursery nurses and farm workers take home enough money to support a family. All he plans to do, is to make people have less. Indeed, to pick up Cameron’s question, why on earth would it be right to ask those on welfare to face the same kind of decisions? Is it not bad enough that the

working poor are faced with these decisions? Would it not be right if no one had to face these kind of decisions?

Reducing or eliminating material poverty is not the goal he is concerned with: he added in an interview with “Mail on Sunday” – speaking from the perspective of a fictitious couple: “We are engaged, we are both living with our parents, we are trying to save before we get married and have children and be good parents. But how does it make us feel, Mr Cameron, when we see someone who goes ahead, has the child, gets the council home, gets the help that isn’t available to us?”⁵

For him, the fact that these people are struggling is *not* the actual problem. His problem is not the poverty of “working people” or young couples. He is not proposing to help this fictitious couple out. However, he is concerned with how they *feel* about the fact that other people are (ostensibly) getting by better. He plans to improve their situation, i.e. that of our couple, by ensuring that other people are suffering. They are asked to content themselves with the conditions they are facing because they can be assured that no-one is exempt.

Their material interest, our fictitious couple cannot afford to move in together, is hence transformed into something quite different: a resentment of others in abstraction from their own material interest. This fictitious couple gets nothing out of the proposed welfare reform but the warm fuzzy feeling of other people’s suffering ... compassionate conservatism. Even before noting that this is kind of mean, one can note that this is not to the material advantage of those holding the resentment.

So much for the moralistic argument of the government’s campaign: to encourage resentment of poor people in work against poor people without work.

The other argument is an economic one. Namely, the claim that out-of-work benefits, or the contributions towards them, such as taxes, are the reason why wages are low. In fact, the actual relation between out-of-work benefits and wages is the opposite from what is often claimed: benefits effectively produce a lower limit on wages.

In this society, people need money to make a living, so they have to offer their services to others who have money but need workers. They become nursery nurses and farm workers for nursery companies and agricultural firms. A company will hire an employee when it expects that arrangement to be profitable somehow. The wage received by that employee is a cost on the books of a company. A cost in its capitalist sense is an investment to make a profit, for instance, money expended for materials and machinery, to lease some land, to hire workers. All of these combined under the command of the company ought to result in a product whose sale turns a profit. For a company to be successful, the wage (and other costs) must be lower than the sum of money a company makes by selling the products of labour produced by its employees. The lower the wage and the higher the efficiency of the workers, the higher the profit. The magnitude of wages is not determined according to some measure of what people need and want, or even what they deserve in some moral sense, as David Cameron tries to convince us when contrasting

“working people” with benefit recipients.⁶ The magnitude of wages is determined according to the calculations of companies in competition for their profits and by the competition of workers for jobs, the suspension of this competition as well as collective action by workers. If they can find someone doing the same job with the same efficiency but cheaper, they will hire that person, the lower limit being only for how little people are willing to work. Working 40 hours a week for

less money than the dole makes little sense and hence out-of-work benefits effectively establish a minimum wage.⁷

What this means for our nursery nurse, farm worker, our fictitious couple and “literally millions” is that, if out-of-work benefits are cut, more people are competing on the labour market driving down the price of labour. Cutting benefits means worse conditions for those with a job. The resentment David Cameron tries to mobilise for his proposed welfare reform not only fails to deliver a material advantage to those addressed, the reform is even to their direct disadvantage.

This is the economic truth about the material poverty of nursery nurses, farm and other workers. A truth David Cameron is not interested in. This does not mean, however, that David Cameron is mistaken, his project misguided. On the contrary, if the livelihood of everyone is subjected to economic growth, then driving down wages is not misguided.⁸ To put it differently, the British economy needs and the British state wants lower wages, it just is not to the benefit of “working people” – with or without a job.

With this in mind, we can inquire about another instance of envy that does not benefit the envious. Occupy’s denouncement of bankers’ bonuses follows the same logic. Outrage about the wealth of other people: benefit claimants here, bankers there. In both cases fulfilment of the demand “less money in the pockets of somebody else” does not materially benefit those who are invited to be outraged. Sure, the bankers are in a much better starting position than benefit recipients. Yet, denying them their precious bonuses will not sort out the material worries of the “working people”. And just like benefits are not the reason for low wages, it is not the bankers’ *bonuses* that cause mass poverty, but the content of the jobs bankers and other agents of capital get paid to do: to look after economic success and growth. For example, by making use of the heightened competition among workers for low-end jobs.

¹ Full text here: <http://www.politics.co.uk/comment-analysis/2012/06/25/david-cameron-s-welfare-crackdown-speech-in-full> (last access 14. August 2013)

² <http://www.guardian.co.uk/politics/2012/jun/25/cameron-tories-slash-benefits> (last access 14. August 2013)

³ For example, there is no link – under current legislation – between being unemployed and being entitled to council housing. Council housing is provided to those who are both homeless and deemed “vulnerable” by the state, for example, single parents, under 18 year olds, people with disabilities, etc.

⁴ Cameron’s speech, op. Cit.

⁵ <http://www.dailymail.co.uk/news/article-2163773/David-Cameron-axe-housing-benefits-feckless-25s-declares-war-welfare-culture.html> (last access: 14. August 2013)

⁶ Or when he says: “Compassion isn’t measured out in benefit cheques – it’s in the chances you give people ... the chance to get a job, to get on, to get that sense of achievement that only comes from doing a hard day’s work for a proper day’s pay.” That is, David Cameron claims that the pay a worker receives is based on her performance, while the separation between performance and wage is the basis of successful businesses.

7 In-work benefits, on the other hand, allow wages to be lower than what is considered the bare minimum to live in this society, i.e. the state makes up the difference. We leave the question why it does that for another piece. For now, we content ourselves with pointing out that this implies that this economy apparently does not even provide for those which it makes use of.

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In fact, a lot of the proposed reforms aim at (re-)introducing currently unemployed people to the labour market, further escalating competition among workers there.