REFORM OF SOCIAL SECURITY
Married couple with 2 children, aged 4 & 6
Rent £16.55, rates £6.40, water rates £1.65

FRANCIS PYM ON BASIC INCOMES
"A Basic Income scheme would aim to guarantee to each man, woman and child the unconditional right to an independent income sufficient to meet basic living costs".

THE BASIC INCOME RESEARCH GROUP was set up in 1985, under the auspices of the National Council for Voluntary Organisations, to find out whether the basic income approach to reform of tax and social security (as defined above) is economically, administratively and politically feasible; and if that proves not to be the case, to find out whether modifications can be introduced which would make it feasible.

BIRG is not a pressure group, nor is it aligned to any political party. It is concerned to promote informed discussion and research throughout the European Community.

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APPEAL FOR SPONSORS

In earlier editions of the Bulletin we appealed for support from all organisations and individuals who share our belief that there must be far-reaching changes in social security and personal taxation. We are delighted that literally hundreds of individuals and voluntary organisations have become BIRG subscribers. If you are not a regular subscriber, we hope that you will consider joining us by completing and returning the form on the back page. An annual subscription means that you receive two bulletins and are automatically invited to BIRG seminars. Subscribers are not committing themselves to support a Basic Income scheme. Rather, they are committing themselves to encouraging public debate about the desirability and feasibility of Basic Incomes.
BIRG has been operational for less than 18 months, but has already put basic incomes on the political agenda. By March 1986 the number of BIRG subscribers was about 250, including nearly 100 organisations (most of them voluntary organisations), members of both Houses of Parliament and a growing number of overseas subscribers.

Initially we intended to publish the Bulletin quarterly, but this proved impracticable. The BIRG annual subscription rate of £30 buys a 24-page Bulletin and an automatic invitation to attend BIRG seminars, held at the National Council for Voluntary Organisations in London. Details of the 1986 seminar schedule are published on the end page of this Bulletin.

All these activities cost money and BIRG must be self-financing by the end of 1986. Regrettably therefore it is necessary to raise the annual subscription rate by £10 for individuals and £15 for organisations. Anyone who is unwaged can still become a full subscriber for £5. We hope you understand the reason for these changes and that you will continue to support us.

Reform of tax and social security is still a very live issue. One of the most important contributions to the debate in recent months came from former Foreign Secretary and Minister for Social Security, Mr Francis Pym. Speaking on 28th January, during the Social Security Bill Second reading Debate, he recommended that the basic income approach be taken seriously, because it is “the most hopeful way forward”. An extract from Mr Pym’s speech is on page 25 in this Bulletin.

Regrettably the Government still prefer piecemeal reform within the existing system, first social security and afterwards income tax. Their reform of social security was supposed to target more benefits at those in need and to increase incentives. As promised in Bulletin No.4 we include a quantitative analysis by Hermione Parker of Mr Fowler’s reformed system. The figures show that the new system would cut living standards at the bottom (making the poorest poorer) and would simultaneously cut disposable incomes from lower paid work. If the Bill becomes law it will be even less worthwhile than at present for unemployed people and lone parents to take part-time or lower paid work. Instead of increasing labour market flexibility, the effect will be to exclude more people from the formal economy.

Child benefit is a basic income for children, but it is under threat. Responses to Gallup’s sample survey for the DHSS showed 71% in favour of child benefit paid to the mother. Yet family credit, which replaces family income supplement and which could eventually replace child benefit, will be paid to the father. In her contribution to this Bulletin Jan Pahl emphasises the dangers of assuming that family credit will be handed over by the fathers to the mothers. Sir John Walley goes further and questions the whole principle of means-tested child support.

In his January 28th speech Mr Pym emphasised the need for a review of income support which would encompass “all forms of state benefit and all aspects of direct personal taxation.” The Chancellor’s Green Paper on The Reform of Personal Taxation was published on Budget Day. It devotes several pages to the relationship between the tax and social security systems, and there is talk of integration. But the integration which the Treasury have in mind is purely administrative. Commitment to the existing, dual system of income tax reliefs on the one hand and contingency benefits on the other (with child benefit wedged precariously in between) is strongly reaffirmed. So is the contributory principle. Integration in the basic income sense, meaning replacement of tax reliefs and contingency benefits with a unified system of citizenship-based, convertible tax credits, is ruled out, on the grounds that it might “blur the distinction between reward for effort and support for need.”

As expected the Green Paper advocates a system of adult income tax allowances which would be fully transferable between husband and wife, so that any unused allowance could be set against the income of the other spouse. This proposal is strongly opposed by those who would prefer to abolish tax relief for the non-earning spouse.

For BIRG the long drawn-out debate between transferable and non-transferable allowances is doubly frustrating. Neither option meets the criteria both of equity and taxation according to ability to pay. Transferable allowances as proposed in the Green Paper would favour legally married couples at the expense of single people. But with non-transferable allowances single wage couples would be taxed on incomes below the poverty line. The basic income approach offers a way out of this dilemma. It treats all adults alike regardless of marital status and it removes the need for transferability by providing a tax credit which automatically converts to a cash benefit where own income is nil.

But the basic income option is excluded from the discussion on cause of the Government’s preference for a system which emphasises the difference between claimants and taxpayers. Of course there will always be a difference. But the evidence suggests that the present sharp distinction is counter-productive. It locks people into long-term dependence on the welfare state, it encourages the black economy of welfare (earning while claiming), and it adds to unemployment. This is a crucial subject which will be discussed at BIRG’s next seminar on the 2nd May.

SOCIAL SECURITY, TAXATION AND FAMILY FINANCIAL ARRANGEMENTS

JAN PAHL

The White Paper on the Reform of Social Security proposes to replace family income supplement, payable to mothers, with a new family credit, which would be deducted from the father's PAYE or paid to him in cash if his benefit entitlement exceeded his tax liability. The forthcoming Treasury Green Paper on the taxation of husband and wife is expected to propose replacement of the married man's allowance and the wife's earned income allowance with a system of fully transferable personal tax allowances. In other words, each person would be allowed so much a year free of tax, but married people would be allowed to set their allowances against the incomes of either. If, for example, a wife did not earn, her tax allowance could be set against her husband's income, which would increase his take-home pay.

Both these measures take for granted that husbands will transfer the extra money they obtain back to their wives, or will at least make the money available for family expenditure. A similar assumption permeates almost the whole of the income tax and social security systems. For tax and benefit purposes the legally married couple, together with their dependent children, is treated as a single unit, and the living standards of all members of the family are assumed to be approximately equal. Money income is assumed to flow between the different family members as though guided by some sort of invisible hand, leaving all with equal, or at least equitable, shares of total household income.

It is extremely difficult to assess the accuracy of this assumption, given the complexity of the topic and the inadequacy of data. However, there is some evidence from a number of research studies carried out over the past few years. The main finding from these different enquiries is that the money received by individuals will not necessarily be shared with other members of the immediate family. Most earners share their incomes, but some do not. Among families which are dependent on social security, the standard of living of some individuals is likely to depend as much on the way in which income support is delivered as on the level of benefits. Given the Government's commitment to improved targeting, the change from family income supplement to family credits is surprising, as is the expected proposal to introduce transferable tax allowances.

PATTERNS OF ALLOCATION OF MONEY WITHIN MARRIAGE

Families organise their finances in a great variety of ways, but I have suggested that these can be reduced to four main types:

1. The whole wage system, in which one partner, usually the wife, is responsible for managing all the household finances, except for the personal spending money of the other partner.

2. The allowance system, in which typically the husband gives his wife a set amount of money and she is responsible for some expenditure, while the rest of the money remains in his control and he pays for other items.

3. The pooling system, in which both partners have access to all or nearly all the household money and both are responsible for managing the common pool and for expenditure drawn from it.

4. The independent management system, in which both partners have incomes which they maintain separately, neither having access to all the financial resources of the household. In this system each partner is responsible for specific items of expenditure; these responsibilities may change over time but the principle of keeping flows of money separate within the household is maintained.

I would suggest that the allowance system and the independent management system are the ones in which husbands would not necessarily transfer additional money in their pay packets to the wife or to the family. Since most of the wives within independent management systems are earning, the group most affected by the proposed family credits and transferable income tax allowances would be wives in allowance system households. The table shows the proportion of couples in each category, drawing evidence from my own study in Kent and from a national postal survey carried out at the University of Surrey. It shows that just under a quarter of husbands give their wives an allowance, retaining the rest of their earnings.

<table>
<thead>
<tr>
<th>Frequency of four types of allocative systems</th>
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<tr>
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<tr>
<td>whole wage system</td>
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<td>allowance system</td>
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<td>pooling system</td>
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<td>independent management system</td>
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<td>total number</td>
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Evidence from the two studies quoted above suggests that the allowance system is typically found among
higher income households, where either the husband is the only earner or he earns much more than his wife. The allowance system was more common among the parents of the couples I interviewed compared with the couples themselves, and it was associated with husbands having more say in decision-making within the household.

**EVIDENCE FROM STUDIES OF MARRIAGE BREAKDOWN**

Financial arrangements within families tend to change when relationships change. Studies of women whose marriages have broken down, and who are living on supplementary benefit, report a sizeable minority as saying that they are "better off" on supplementary benefit than they were when living with their husbands. This proportion varies from a fifth to about a third. Since supplementary benefit levels are usually taken to represent the poverty line in the United Kingdom, these findings imply that these women, and probably their children, had previously been living below the poverty line. Most of the women had come from households which had men in employment and earning wages well above the poverty line. Therefore the poverty experienced by their wives was a consequence of the non-transference of money within the household.

A number of recent studies of battered women have revealed that many violent husbands keep their wives chronically short of money. Three recent studies carried out in different parts of Britain by different researchers came to very similar conclusions. The results suggested that between 20 and 30 per cent of wives in violent marriages received no money at all from their partners. Whether the breakdown of family financial arrangements is a symptom or a cause of marital breakdown, it is clear that assumptions about the pooling of resources within households are particularly unlikely to apply to marriages which are in difficulties. With one in three marriages ending in divorce, this constitutes a serious issue affecting a large number of people.

**CHILD BENEFIT OR FAMILY CREDIT?**

My investigation into the control and allocation of money within the family showed that the value mothers placed on child benefit was closely related to the way in which the couple organised their money. As one might expect, poor parents valued child benefit more than well-off ones. However, wives whose husbands gave them fixed housekeeping allowances were particularly likely to value child benefit highly, even though many of these couples were relatively affluent. In other words, for wives whose husbands managed most of the household income, child benefit was important, not just as a source of income, but as income over which wives themselves had direct control.

Family credits, paid to fathers in their wage packets, are bound to be a hit-or-miss way of giving financial support to children. Many fathers will hand the additional money over to their wives, but inevitably some will retain all or part of the money. There is a crucial difference between income as a reward of work (wages) and income in reponse to need (social security): the former tends to be seen as belonging to the person who earned it, while the latter is more likely to be earmarked for the family. By attaching family credits to wages, the money will become symbolically the property of the wage-earner and so at greater risk of not being made available to other members of the family.

The survey carried out by Gallup Poll for the review team showed that the general public is well aware of this point. While 71 per cent favoured paying child benefit to the mother, only 12 per cent opted for providing child support through a combination of tax allowances and child benefit. Among people receiving child benefit, support for payments to mothers was even more marked, with 80 per cent for and 11 percent against. In view of this evidence, it is surprising that the review team opted for family credits paid with wages.

**TRANSFERABLE TAX ALLOWANCES**

The transferable personal allowance assumes that each spouse has a standard tax allowance, which is set against the spouse's income or against the income of the other spouse, if only one is earning. There are various implications to the proposal:-

1. The transferable personal allowance would benefit couples where the husband was the sole earner, but only provided that his pay were high enough to absorb all the available tax allowances. The full benefits of the transferable tax allowance would therefore be denied to low income families.

2. It would benefit earners rather than non-earners. This would not matter if earners automatically shared their income with non-earners, but, as we have seen, this assumption cannot be made.

3. It could cause family discord. If a wife returned to paid work after a period without it, it would lead to a reduction in her husband's take-home pay. Yet there are many reasons for facilitating the employment of married women, not least the contribution which they make to keeping children out of poverty.

The proposal to introduce transferable personal allowances raises fundamental issues. As a recent Times leader began "the treatment of the family is an issue that goes to the heart of any system of income taxation". The leader writer went on to argue in favour of transferable allowances, on the grounds that the system would be "completely neutral as to whether husband, wife or both were earning the family income", and that it would "smooth out the rise and fall in family income that follows the normal pattern in which the wife stops work to start a family and rejoins the labour force as the children reach school age". However, the House of Lords Select Committee on the European Communities has argued strongly against the transferable allowance on the grounds that, far from being neutral, it would "create a substantial disincentive to wives seeking paid employment". It has advocated totally independent taxation of the earned incomes of husband and wife. Lady Serota, who heads the committee, concluded that "the issue of transferable allowances provides a crucial test of the strength of commitment to equality for women."
ALTERNATIVE APPROACHES

There are a number of ways in which the social security and taxation systems could allow for the possibility that money is not shared equitably within families.

(1) Child support. All child support should be paid directly to the person with day-to-day responsibility for the child, usually the mother but occasionally the father. If the married man's tax allowance were abolished, child benefit could be doubled at no extra cost to the Exchequer.

(2) Cash benefit to spouse with home responsibilities. An alternative way to redistribute the married man's tax allowance would be by a cash payment made to a spouse who had home responsibilities which prevented him or her earning. This cash payment could be added to child benefit, or for other types of dependents it could take the form of an addition to the invalid care allowance.

(3) Convertible tax credits or basic incomes. The abolition of the married man's tax allowance would drag the net incomes of some lower paid, single wage couples without children below the supplementary benefit poverty line. The administration of a home responsibility allowance would require difficult decisions regarding entitlement. If all existing income tax allowances were replaced by convertible tax credits or basic incomes, with the individual as the unit of assessment regardless of marital status, many of the difficulties discussed in this paper could be overcome. Where an individual (married or single) was unable to set his/her basic income against income tax, due to lack of earnings, the basic income would convert automatically into a cash benefit. In the case of rich, single earner families, the non-earning spouse would cease to be fully dependent on the other, but the spouse with the money would be required to pay more income tax than at present, and more income tax than under a regime of fully transferable allowances.

None of these changes need increase the overall cost of family income support. But they could greatly increase the efficiency with which such support is targeted towards particular individuals within families.


8. First leader: (1985) His and her income. The Times, 11 December

BASIC INCOMES: SOME PRACTICAL CONSIDERATIONS

PHILIP VINCE

In this paper I begin by outlining the Liberal Party scheme for tax credits (or basic incomes), as an integrated replacement for personal income tax reliefs and social security benefits. I first prepared the Liberal tax credit scheme for publication in 1979, and then amplified it for publication in 1983. Like the BIG (Basic Income Guarantee) options described by Hermione Parker in BIRG Bulletin Number 3, it is a combination of universal partial basic incomes, selective but non-withdrawable basic income supplements, and withdrawable low income credits which are very similar to a negative income tax. The main difference between the Liberal tax credit scheme and BIG option I(a) are set out in the table. But I do not intend to dwell in detail on those differences. Instead I wish chiefly to draw attention to some of the complications and compromises that have to be faced in order to win political acceptance of any such policy.

| COMPARISON OF LIBERAL TAX CREDIT SCHEME AND BIG I(a) |
|---------------------------------------------|-----------------|-----------------|
| ILLUSTRATIVE RATES                        | £ per week      |                 |
| Liberal TC                                |                 | BIG I(a)        |

| 1. BASIC INCOMES                          |                 |                 |
| Each adult aged 18-64                     | 20.85           | 20.55           |
| Each young person aged 16-17              | 15.80           | 20.55           |
| Each child aged 0-15                      | 8.75            | 14.50           |

| 2. BASIC INCOME SUPPLEMENT                |                 |                 |
| Each expectant mother                     | 24.62           | 14.50           |
| Each widow (for six months)               | 24.62           | 20.55           |
| Each widower (for six months)             |                 | 20.55           |
| Each child of lone parents                | 7.05            |                 |
| Each lone parent                          |                 | ?               |
| Each non earner (age 65 & over, sick, disabled, unemployed & seeking work) | 24.62 |                 |
| Each person aged 65-84                    |                 | 29.45           |
| Each person aged 85 & over                |                 | 34.45           |
| Each invalid/disabled person             |                 | 29.45           |
| Partial disability credit                 | 9.46 – 22.06    |                 |
| Carer’s credit                            | 9.46 – 22.06    |                 |
| Disability costs payments                 | Yes             | Yes             |

| 3. WITHDRAWABLE BENEFITS                   |                 |                 |
| Low income credit                         |                 |                 |
| Housing benefit                            |                 |                 |

THE LIBERAL PARTY TAX CREDIT PROPOSALS

It is Liberal Party policy to pay tax-free credits, some of them universal and some withdrawn as other income rises, and to tax all other income, from the first pound, at a standard rate of 44%. This tax would replace both income tax and employees’ national insurance contributions, and the credits would replace all social security benefits. Employers’ national insurance contributions would continue in approximately their present form, effectively as a payroll tax.

This approach is common to both the Liberal and BIG proposals, but the values of the credits, or basic incomes, differ somewhat. In the Liberal scheme there would be a basic personal credit of £20.85 per week (1982-83 rate) for each adult aged between 18 and 65, a credit of £15.80 for each young person aged 16-17 and a credit of £8.75 for each child under 16, paid normally to the mother. For non-earners there would be a total credit of £45.47 a week. This would be payable to everyone aged 65 or over (with the necessary residential qualifications), to those permanently or temporarily sick or disabled and to those unemployed and seeking work. A similar amount would be paid during pregnancy and to widows during the first six months of bereavement.

No higher credit is proposed for the over 85 age group. But a credit supplement between £9.46 and £22.06 would be payable to the partially disabled (according to degree of disability) and to those caring for the infirm (according to the degree of attendance). Single parents would receive £15.80 a week instead of £8.75 for their children, although this premium may be restricted to the first child.

All these credits would be paid regardless of any other income, earned or unearned, except that the credit supplement for the unemployed naturally has to
be phased out against any other income received. There is no BIG provision equivalent to the unemployed non-earner supplement. We consider that a withdrawable credit supplement should be paid to the unemployed, although it might be less in value than that now proposed.

The unemployed non-earner supplement has to be linked to our proposed low income credit, which is equivalent to the BIG income-tested housing benefit. We recognise that for many years this credit would have to be linked to actual housing costs, but eventually it ought to be possible to establish a national average with regional variations. In 1983 we proposed a national average figure of £15 for married couples and single parents and £7.50 for single householders, with an extra £4 per child. But the rates and structure of the low income credit and the way it is withdrawn are being reconsidered.

THE NEED FOR REVENUE NEUTRALITY

It is necessary to produce basic income proposals which are revenue neutral and which do not assume tax increases or expenditure cuts outside the area of personal taxation and social security benefits, because ultimately a change of this magnitude can only be implemented if accepted by people with widely divergent views on other policies. This means that the total benefit to those who gain from the reform must equal the total loss to those who suffer reductions in their net income. The numbers who gain and lose need not be equal. Indeed this is most improbable, because those who currently have earnings above the upper earnings level for employees’ national insurance contributions (£265 per week in 1985-86) enjoy an anomalously low marginal income tax rate of 30% until they become liable to higher rate income tax at 40%.

It is in order to limit the area of change that Liberal tax credit policy does not include any change in the State earnings related pension (SERPS), nor in the tax treatment of private and occupational pensions and mortgage interest, nor any reform of local government finance. There are separate Liberal policies in each of these areas. Thus we have advocated the abolition of SERPS in order to finance an immediate 25% increase in the basic State pension and we are now revising this proposal in the light of the Social Security Bill, which modifies SERPS.

The Liberal Party has always supported the Meade Proposals, to which the CBI are the latest adherents, for taxing expenditure rather than income. With an expenditure tax as proposed in The Structure and Reform of Direct Taxation, all savings, not just those in pension funds and owner occupation through mortgages, would be exempt from tax and all dissavings would be taxed. We would make a local income tax the main source of revenue for local authorities and replace the present rating system with a national site value tax.

There is however one other policy change which is included in the Liberal tax credit scheme, but which we wish to see implemented at once, without waiting for tax credits to be accepted and implemented. This is the introduction of an allowance to meet the extra costs of disability, either the actual costs incurred or equivalent standard allowances. These payments would be justified like expenses incurred in employmen and would be in addition to the higher personal credits proposed.

IMPAIRED ABILITY TO EARN

As Hermione Parker has shown, universal provision of full basic incomes at levels sufficient to provide an adequate living standard for all would require politically unacceptable tax rates. With modified basic income schemes everyone between school leaving age and retirement age would still have a strong incentive to earn, in order to supplement the partial basic income. But if poverty is to be prevented modified basic income schemes must incorporate some form of extra provision for those with impaired ability to earn.

This includes the elderly, the sick and disabled and those responsible for the care of children or invalids. If such people are able to earn despite these handicaps, they should be subject to the same rates of taxation on those earnings as apply to the population generally. Those who are unemployed but seeking work also have impaired ability to earn, but their credit supplement must be subject to two extra conditions. First, there must be a test of availability to work, otherwise the supplement would be claimed by those who are not genuinely seeking work. Indeed only those who are both unemployed and genuinely seeking work are likely to be in a position to benefit from the supplement.

HIGH MARGINAL TAX RATES ARE UNAVOIDABLE

Even if no credit supplement were paid on account of unemployment, there would have to be some sort of extra payment to meet housing costs. This extra payment would have to be income-tested, because universal credits cannot be set high enough to match present income support for the poorer members of the community (cf BIG housing benefit proposals). The Liberal housing or low income credit would be phased out with increasing earnings at a marginal rate (including income tax at 44%) of around 80%. That seems high but there has to be a compromise between the rate of benefit withdrawal and the numbers of people affected by high marginal tax rates. With a marginal tax rate of 85% (income tax 44% and benefit withdrawal 41%), about 1 million non-pensioner households would be affected. If the marginal tax rate were 75% (income tax 44% and benefit withdrawal 31%) the number affected would be between 2 and 3 million. Different arrangements would be made for pensioners.

Withdrawable housing credits also require a departure from the principle of separate assessment of each person’s tax liabilities and credits. Marital relationships would be irrelevant, but the amount of benefit payable to the householder would have to take into account the incomes of all household members.
ALTERNATIVE LOW INCOME CREDIT PROPOSALS FOR FAMILIES WITH CHILDREN

The basic benefit scheme proposed by the SDP in 1982 includes a substantial premium for the first child in each family and this also features in the IFS scheme published in 1983 and in the Government’s latest proposals. It will probably be necessary to add such a premium (about £14 a week and withdrawable as income arises) to the Liberal scheme, in order to match the structure of present benefits and avoid reductions in the net income of significant numbers of families with net incomes below median net earnings. Such a premium would be consistent with the principle of paying credits for impaired ability to earn.

TAX RATE NEEDED TO ACHIEVE REVENUE NEUTRALITY

The personal credit for adults in the Liberal scheme is one half of the ordinary supplementary benefit scale rate for a married couple. The credits for children are the same as the supplementary benefit scale rate for children under 11 years. The non-earner’s credit is one third of median male earnings, which has long been a Liberal target for single pensioners. These are arbitrary figures and could be varied somewhat, but not much. If the credits were reduced too much, there would be more people with incomes below median earnings for whom special provision would have to be made to prevent them from being worse off than at present. If the credits were increased, the possibility of political acceptance of the tax rate necessary to pay for them would soon vanish.

Several independent analysts have agreed that a standard rate of 48% would be necessary for revenue neutrality at present. The Liberal Party proposed a rate of 44% in the belief that, during the four or five years needed to implement a tax credit system, its economic policies would reduce unemployment to about two million and hence reduce the net costs of the scheme. This 44% tax rate compares with the present composite rate of 39% (income tax plus employee’s national insurance contribution). Despite the evidence given to Liberal Party supporters that there would be more gainers than losers from the scheme, and that the losers would almost all have incomes above median earnings, it has been very difficult to convince them that the proposed 5% increase in the tax rate would not be damaging in election campaigns.

SINGLE RATE OF INCOME TAX AND NON-CUMULATIVE PAYE

Any policy which integrates the personal tax and benefit systems has to operate on a pay period basis (weekly or monthly), with adjustments by end-of-year tax returns only as a longstop. Although credits would be paid direct to those who are not employed, it would be far more efficient to pay most of them through the PAYE system. This means that PAYE would have to be made non-cumulative, which incidentally would simplify its operation by employers. Consequently, there can be only one rate of tax across the main range of income and any ideas of having a lower rate, such as 15%, for low earners have to be abandoned. In any case the Meacher sub-committee of the House of Commons Treasury Select Committee in 1978 concluded that graduated rate proposals required unacceptably high marginal rates on incomes not far above the average. It is agreed that the present higher rate tax bands, which apply only to a few per cent of people with high incomes, should be retained, but these could be collected in arrears, as surtax used to be. Liberals would maintain similar differentials for these higher rates, and thus would increase the top rate from 60% to 70%.

THE CASE FOR A COMPLEMENTARY MINIMUM EARNINGS POLICY

The Liberal Party deplores the promotion of basic incomes as an opportunity for increasing the number of low paid jobs available. We do so for all the reasons stated by Robin Smillie in BIRG Bulletin Number 4. This is not just because bad employers tend to drive out good ones (by analogy Gresham’s law), but chiefly for a reason Smillie only hints at, concerning the proper role of taxation. Employers should continue to be responsible for paying the subsistence element of wages, which members of the public then pay for in the cost of goods and services which they choose whether or not to buy. Otherwise the public would be obliged to pay for this subsistence element through taxation, which would consequently be so high as to destroy any chance of basic income policies ever being accepted. The proposed universal credit or basic income is £20.85, compared with single person’s tax allowance in 1983-84 worth just over £10. It could therefore be reduced if a basic income scheme had to have a lower marginal tax rate to be politically acceptable.

It is Liberal Party policy to phase in over five years minimum adult earnings of £22.50 per hour at 1983 prices. A minimum earnings policy seems to be the most practical way of moving towards equal pay for women, because a high proportion of the low paid at present are women. Minimum earnings for a 40 hour week should be set at or near the level at which a householder with one child would cease to be taxed at a higher than standard rate because of the withdrawable benefits paid. It needs to be applicable to part-time as well as full-time workers, which is why it is expressed at an hourly rate.

RELEVANCE OF THE GOVERNMENT’S WHITE PAPER ON SOCIAL SECURITY REFORM

Even the present Government recognises that a major structural reform of social security is essential. The present complexity of benefits, intertwined with low and different thresholds for income tax and employees’ national insurance contributions, must be replaced. It causes the poverty trap and it produces high replacement ratios, which discourage the unemployed from accepting low-paid work. It also results in large amounts of benefit not being paid, because claimants are unaware of their entitlements. However,
it is no use expecting that some admirably simple system can be substituted. That is evident from the complex issues considered in this paper. The DHSS White Paper on the reform of social security does propose some changes which constitute a necessary preliminary to basic incomes. But it is flawed in several ways. First, it is designed to cut expenditure on social security as well as to reform it and the illustrative rates of benefit show that whereas some of the poor will gain more stand to lose. Secondly, the Treasury is separately preparing a Green Paper on the reform of personal income taxation and only then, if at all, will the essential issue of integrating the tax and benefit systems be addressed. Thirdly the DHSS intends to shift responsibility for income-tested family credit on to the employers, through PAYE. This proposal will have the undesirable effect of transferring benefit payments from mothers to fathers. Consequently it will probably suffer as much from low take-up as family income supplement does now, especially in those cases where one employer has to be given information about earnings elsewhere, by the employee or by his or her spouse.

There seems little prospect of improving the Social Security Bill as it passes through Parliament, but the debates should offer an unprecedented opportunity for publicising the potential of basic incomes and contrasting that potential with the inadequacies of the Government’s proposals.

HOW OUR FOREFATHERS HELPED THE POOR

Eleanor Rathbone’s great 1924 book, The Disinherited Family,1 is the most obvious starting point for any study of the state’s role in the support of children. But like her, we should go back further.

For Adam Smith, in the 18th century, the cost of maintaining a worker’s family was not a crucial issue. Except for its youngest members, they could all be assumed to be contributing to the family pool. And, for families which fell on hard times, there was the local poor law.2

But in the last years of the eighteenth century the agricultural family came under increasing pressure, especially from the enclosure movement and from growing competition between traditional handicrafts and the new factories.

County magistrates tried to remedy the situation by using the local rates to supplement the earnings of agricultural labourers according to the number of their children; this was the Speenhamland System. I cannot share G.M. Trevelyan’s contempt for these “foolish” magistrates.3 He ought to have discovered that his preferred solution – an agricultural minimum wage – had in 1795 been brought before Parliament in a Bill which its sponsors happily withdrew after they had heard the views of the younger Pitt, then Chancellor and Prime Minister. Pitt argued, and his argument is valid today, that earnings for work done could not be adjusted to the needs or size of a family. Instead Pitt insisted:

“Let us make relief, in cases where there are a number of children, a matter of right and an honour, instead of a ground for opprobrium and contempt.”

Pitt then presented to Parliament a Bill which provided (among other remarkable social reforms) for the payment out of the local rates of “at least” 1/- a week (then a substantial sum) for each child in a family after the second, or after the first in the case of widows.

Unfortunately Pitt had grossly overloaded his Bill and it never got beyond Committee stage. The Speen-
hamland system was relieving the immediate distress, and Pitt himself was increasingly involved in the conduct of a European war as well as the preparation of the great reform with which his name is still linked, the introduction of a general income tax from 1798. This only affected the comparatively well-to-do, but the rate was stiff. And Pitt showed his concern for the ability to pay it of all families with children by allowing child tax deductions which were more sophisticated than any we have had since. These tax deductions rose with, but more slowly than, the total income.

In the hundred years after Pitt's tragically early death in 1806, politicians, social reformers, economists and even churchmen showed little grasp of the issues to which he had addressed himself. His successor immediately cut out child tax allowances; and income tax itself was abolished in 1815 under pressure from those who were also seeking to reduce local rates by "reforming" the Poor Law — making it so harsh that only the desperate would turn to it.

Income tax was reintroduced in 1842 but with no recognition of family responsibilities. Nor did well-intentioned 19th-century social reformers see the effect on family finances of banning the employment of children and compelling them to go to school. Academic economists were just as blind. They theorised about the "subsistence" basis of wages without disclosing whose subsistence they were talking about. Even in the 1906 Liberal Government, when Lloyd George developed health insurance, and Churchill promoted both unemployment insurance and minimum wages legislation for many trades, neither gave any thought to the workers' children.

ELEANOR RATHBONE: DIRECT FINANCIAL SUPPORT FOR CHILDREN

Eleanor Rathbone started campaigning for children's allowances for wage-earners because she had seen their value for the families of soldiers in the 1914-18 war. But she soon had a powerful additional argument in the new unemployment insurance scheme, which from 1921 (in imitation of the poor law) made substantial additions, for wife and children, to the contributor's personal benefit. It was not difficult to show that these new "insurance" benefits were often above what the recipient could expect from employment unless child benefits were also available to working families.

Her case was strengthened when she exposed the impact on wages of a system without child allowances. In Australia a Royal Commission, required for the purposes of minimum wage legislation to establish the basic requirements of a man with a wife and three children, arrived at a total figure which, if paid as a minimum wage, would have cost more than Australia's total income! Yet a three-child family was at that time the usual universal basis of trade union claims for a "living wage."

Eleanor Rathbone used this case to expose the "phantom children" fallacy, and showed how trade unions in France, Germany and other neighbouring countries had, since the 1914-18 War, accepted the logic of incorporating child allowances in their wage agreements instead of bargaining for a living wage for non-existent children.

In 1925, the Baldwin Government was faced with a menacing wages crisis in the coalmining industry. In order to give time for a powerful Royal Commission to sort out the issues, it provided a substantial subsidy. Eleanor Rathbone saw her chance; and the Commission backed her with the conclusion that a competitive price for coal and a "living wage" for the miner were only compatible if this included child allowances. The miners' leaders countered with the suggestion that these should come out of general taxation. But this proposal came to nothing. Instead, there was the 1926 mining stoppage.

The miners' leaders were thereafter among Eleanor Rathbone's strongest supporters. Other trade union leaders, however, were not willing to give up their members' "phantom" children as a useful card in wage negotiations. Likewise professional women seeking child pay persisted in ignoring the supposed reason for the higher salaries of male colleagues.

The lack of balance between incomes in and out of work became an increasingly important issue as unemployment fell in the 1930s; but the case for children's allowances continued to be dodged by government.

WORLD WAR II: STATE-FINANCED CHILDREN'S ALLOWANCES

War, as it often does, cleared people's minds, and made the protection of children from the effects of wartime price inflation an immediate issue. Pressure for wage increases in key industries had to be contained, but the Treasury's food and other price subsidies proved to be both ineffective and wildly expensive. If the State paid directly for the children of civilian workers — as it already did for the children of the armed forces — civilians too might be persuaded to tighten their belt, and at far less cost.

Income tax now also came into the picture. Firmly based on the principle of ability to pay, calculated not just according to the level of income but also according to the number of people dependent upon that income, it had hitherto had little impact on the ordinary worker with a family. Now it was to be deducted from earnings, at much higher rates and with reduced personal allowances.

Eleanor Rathbone and the powerful all-party group of MPs who now supported her case agreed on a plan, which originated in a proposal by Keynes that the Exchequer should pay 5/- (25p) for every child, and that this should wholly replace, or be set off against, any other public payment or tax allowance. In 1941 — on almost the same date as the appointment of the Beveridge Committee was announced — Eleanor Rathbone and her supporters put their case to the new Chancellor, Sir Henry Kingsley-Wood, who was sympathetic. The fact that this imaginative proposal came to nothing must largely, in my view, be attributed to the delaying tactics of Treasury and other officials, who were either hostile or uninterested.

WILLIAM BEVERIDGE: THE BETRAYAL

The Beveridge Commission's terms of reference were limited to the post-war reorganisation of existing social security schemes. Yet when preparing his Report Beveridge must have known, because the Chancellor had announced it in Parliament, that the Government had accepted the principle of child allowances (benefit), and that the TUC had endorsed it in Congress. He could have made the only scheme that was before the Government (that of Eleanor Rathbone) one of his
"assumptions". Instead he betrayed her whole case (to which he claimed to have been an instant convert) by seeking Treasury support for a compromise of his own which had no merits, not even that of saving money, since it failed to tackle the problem of overlap with child tax allowances.

Beveridge said that the first or only child should be excluded from his "family allowances". Half the nation's children thus went unrecognised, and it became impossible to bring the allowances effectively into the wage bargaining process. Family allowances were to play no part in postwar discussions of incomes policy or even of equal pay, and they became suspect because Beveridge had presented them as a means merely of alleviating poverty in large families, rather than of reducing the gap in living standards between families with and families without children at all income levels.

**AFTER BEVERIDGE: STAGNATION**

The future of these family allowances was in doubt almost at once. The National Government made them taxable and also reduced the proposed rate for a qualifying child from 8/- to 5/-, on a promise of free school meals and milk which was never to be honoured. And the 1945 Attlee Government, after arousing strong expectations that the rate would soon be raised to 7/6 (in line with the National Insurance payment for a first child in an unemployed man's family), finally reverted to the pre-war system of including additions for all children in "insurance" benefits, despite the well-established fact that this would frequently eliminate the gap (which Beveridge had claimed was essential) between family incomes in and out of work.

It is difficult for the outside observer to understand how post-war family policy was allowed to develop in the way it did, especially in view of the 1949 unanimous report of the Royal Commission on the Population set up by the National Government in 1944. That report did not recommend any large increase in the basic rate for a child, but did urge a much higher rate for children over age 11, and the inclusion of the first or only child. The Commission was particularly concerned with the income tax treatment of children, and proposed that within reasonable limits tax deductions for children should be put on a generous percentage basis. But its recommendations were ignored.

With no government minister charged with overall responsibility for family policies, family allowances were allowed to stagnate. Under the 1952 Churchill government, the Chancellor raised the rate to 8/-, but that was only to make up for the abolition of the wartime bread subsidy in 1952. The Eden government added 2/- for children after the second. In 1958, the Treasury tried to cut these allowances substantially for smaller families, but although that particular move was thwarted (Harold Macmillan lost his three Treasury ministers on the issue) there seemed to be no interest in family allowances, not even enough to push through rises in line with inflation, when other benefits were regularly uprated. Beneath the surface there remained intense hostility to the whole concept of cash benefits for children.

Meanwhile income tax changes which took little account of the old principle of "ability to pay" were worsening the position of the one-earner family. The post-war continuance of the full duplication of a husband's allowance for his wife with her earned income allowance, originally intended to encourage married women's participation in the war effort, seriously compromised fair tax treatment for families in which the care of children prevents the mother taking paid employment.

**TAX-INDUCED POVERTY**

Surprisingly, the constant interest of ministers, economists and others in securing politically and industrially acceptable wages policies, and in meeting the demand for equal pay for women without inflationary consequences, did not revive interest in child support. Nor did the 1964 Election promises of the political parties to put unemployment benefits on an earnings-related basis raise any question about the benefit additions for children. Instead, political attention concentrated on the inadequacy of family allowance rates to prevent absolute poverty in the families of many wage earners. This became the preserve of social researchers and academic pressure groups who had no interest in the principles of income taxation, except to misrepresent its deductions for children as "hand-outs" to the better-off.

The facts about poverty in the families of wage earners were confirmed by a government enquiry. But Margaret Herbison (Minister of Pensions and National Insurance under Harold Wilson) came under increasing pressure from academics who wanted the costs of increased family allowances to be met entirely by cutting child tax allowances. Taxpayers without children were not, apparently, seen as having any responsibility for relieving child poverty. Margaret Herbison never accepted this, but, after her resignation in 1967, it seemed that the Wilson government did. Their Chancellor, Roy Jenkins, restored family allowances to their 1946 5/- (not 8/-) value in his 1968 Budget, but not for tax-paying parents. For them, this belated restoration of lost value was wholly taxed away by "claw back". Mr. Jenkins later made matters even worse for families of modest means by abolishing all the reduced rates of tax in the interests of simplicity and "work saving". The old, well-tried principles of income taxation according to ability to pay had ceased to count.

**CHILD BENEFIT**

At the end of 1966 I retired from the Civil Service, and in 1967 published in The Times my first statement of the case for an effective universal child benefit, with the same set-offs of tax allowances and social payments as Eleanor Rathbone had proposed in the 1939-1945 War. I was able to show that this great simplification could, at small cost, be set high enough to make the child supplements to short-term national insurance benefits unnecessary. The idea got no support from the Wilson Government, even after the TUC, in the 1969 Economic Review, had specifically asked for it. The Conservative party pledged themselves at the 1970 Election to a further increase of family allowances - and more "claw back". But in office the Heath government switched to a "temporary" scheme of means-tested family income supplements - a modernised Speenhamland which is not only still with us but has become the chief instrument for relieving - not eliminating - the child poverty in our midst.
However, child benefit had not been overlooked. In 1972 the Heath government published proposals for a system of tax credits, or partial basic incomes, which they submitted to a Select Committee of the House of Commons. The scheme, as it affected adults, did not get the backing of the whole Committee, but the proposed child credits were unanimously approved. The Heath government had already frankly acknowledged that the balance of our taxation had turned seriously against the family; they now promised early legislation to give effect to the Select Committee’s proposals.

The case for a proper child benefit looked to be won. That the Conservatives lost the second 1974 Election and, thereafter, made Mrs Thatcher their leader should have made no difference. Leading members of her Shadow Cabinet repeatedly pressed for action. But the Wilson government seemed in no hurry; it was not until 1978 that the change-over started. It looked as if they had been delaying action in order to float child benefit at a much lower real level than the Select Committee had endorsed and the Heath government had promised. This was easy to do. With inflation running at a high level, they simply excluded the key components of child benefit and family and child tax allowances from any adjustment – while improving the family income supplements which child benefit was intended to replace. It seemed that they only wanted to please a poverty lobby determined to limit the state’s support for children to those willing and poor enough to resort to the modern Speenhamland.

When child benefit finally started, child support through family and tax allowances was at an all-time low; and, apparently to make sure things stayed that way, tax allowances for children were abolished altogether. No political party seems to have any idea of restoring them and the present government seems reluctant to maintain child benefit even at its inadequate initial value.

**CHILDREN ARE NOT CONSUMER LUXuries**

Anyone who has spoken or written in favour of allowances or benefits for children is aware of the hostility, sometimes amounting to malignancy, which exists in some quarters towards the whole idea of helping parents to feed, clothe and bring up those to whom we refer as their children, as we might speak of their dog or their motor car. The Reform of Social Security by Andrew Dilnot, Nick Morris and John Kay of the Institute of Fiscal Studies is a recent, but by no means isolated, manifestation of this attitude.

Yet if Britain is to prosper, there must be a general recognition that the care of children (who alone are legally denied the right to support themselves through paid work) has become an increasingly heavy burden on those who undertake it, at all income levels. It cannot be treated as a matter of personal choice, and of no concern to anyone else or to the State. Nor, I suggest, do we want to see an ever-increasing number of children, on whom eventually we must all rely, brought up with the label “poor person” in a latter-day Speenhamland. The Basic Income approach to income security, with its emphasis on the individual rights of the child, seems greatly preferable.
Fowler's Reform of Social Security: Facts and Figures

Hermione Parker

Now that the Government have published illustrative figures for their proposed income support (which replaces supplementary benefit) and family credit (which replaces family income supplement), it is at last possible to assess the impact of their social security reform proposals on individual families, in and out of work and at different levels of earnings. The analyses in the Technical Annex to the White Paper Cmnd 9691 do not provide the necessary details, but these can be calculated using the illustrative benefit rates. This article concentrates on the effects of the proposals on the low income, working age population and on their children, excluding the sick and disabled. It does so by reference to the four criteria to which BIRG'S Research Panel agreed to subject all reform proposals. These are:

- adequacy
- equity
- economic efficiency
- simplicity

Any income support system involves difficult compromises between these four criteria and it would be simplistic to pretend that there is an easy solution. What is disconcerting about the Fowler package is that it seems to fail on every count. It reduces living standards at the bottom and at the same time reduces work incentives. It imposes further penalties on legal marriage and families who stay together. It increases bureaucracy by increasing the numbers of people dependent on means-tested benefits and it drags employers into the process by making them responsible for family credit. Since it does not address any of the fundamental flaws in the existing system, for instance benefit according to work status and marital status instead of according to assessed need, it can only be a matter of time before a further cost-cutting exercise becomes necessary.

It is important to emphasise the difference between the static analyses of gainers and losers in the Technical Annex, based on survey data of actual families at some time in the past, and the figures in this article, which use model family analysis in order to try and ferret out the dynamic effects of the Fowler proposals. During the past few years the use of Survey data has become increasingly popular, on the grounds that these are real families whereas families in the model tables are hypothetical. After all, the model tables give no indication of how many family men actually earn below (say) £100 a week. If there are very few, so the argument runs, why bother about them? But the model tables are nevertheless a useful complementary data source, because they quickly show the likely long-term effects of a proposed change both on the labour market and family life. Since unemployment and lone parenthood are the two areas where expenditure is most out of control, this is important. It is not just a question of how many family men now earn £100 a week, but also of how many are likely to take jobs offering wages at that level in the future.

The tables in the Technical Annex are in any case of limited value because they only show average gains and losses by client group, family status and so forth. They lack the detail necessary to show exactly who is gaining and who is losing. Hence it is impossible to judge from the White Paper whether the proposed income redistribution is better or worse targeting than at present. Nor is it possible to judge the effects on work incentives.

The figures in this paper and the graph on the front cover are therefore an attempt to fill part, but only a part, of a huge information gap. More work is necessary to find out the effects of pension and housing benefit changes on the living standards and propensity to save of retirement pensioners. Much more work is necessary to find out the effects of the Social Security Bill on small but important groups in the community, like carers and handicapped people without entitlement to national insurance benefit.

In the last column of each table there are illustrative figures for a partial basic income scheme. The figures are only illustrative because the basic incomes have been uprated in line with supplementary benefit since 1982-83, but the scheme as a whole has not been re-costed. Given the increase in economic activity since 1982-83 and for other technical reasons, it seems unlikely that the estimated 40% starting rate of income tax is far out. With all BIG schemes husbands and wives are taxed separately and the income tax rate goes up to 45% at average earnings of £170 a week for 1983-86. National insurance contribution is abolished.

The figures show an apparent excess of gainers, but this is not surprising given that the selected model families are single wage, low income households in rented accommodation, for whom gains are necessary in order to tackle the twin problems of poverty and disincentives. Gains have to be matched by losses and it is because there must also be losses that a move to basic incomes would require a phasing-in period of at least ten years.

Table 1 compares the structure of income support (including income tax relief) under the existing system, the Fowler proposals and BIG (Ia). Using the single wage, tenant couple with two children as a model. It is important to remember that with the existing and Fowler systems a married couple is treated as a single tax unit and a single benefit unit (so long as they stay together); a cohabiting (heterosexual) couple counts as two tax units but one benefit unit; and two people of the same sex who live together (with or without a sexual relationship) count as two tax units and two benefit units. This diversity produces countless anomalies. That is why all BIG schemes treat
TABLE 1: STRUCTURE OF INCOME SUPPORT, EXISTING SYSTEM, FOWLER AND BIG I(a)

Disposable incomes, single wage married man with two children
January 1986, £ per week

<table>
<thead>
<tr>
<th>Gross weekly earnings</th>
<th>Tax/benefit structure</th>
<th>Existing system</th>
<th>Fowler illustrative</th>
<th>Big I(a) illustrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>+ CB/BI</td>
<td>14.00</td>
<td>14.00</td>
<td>76.50</td>
</tr>
<tr>
<td></td>
<td>+ SB/IS</td>
<td>62.26</td>
<td>64.51</td>
<td>32.05</td>
</tr>
<tr>
<td></td>
<td>+ HB</td>
<td>22.95</td>
<td>21.67</td>
<td>32.25</td>
</tr>
<tr>
<td></td>
<td>- HC</td>
<td>24.60</td>
<td>24.60</td>
<td>24.60</td>
</tr>
<tr>
<td></td>
<td>= Disp. income</td>
<td>74.61 (min)</td>
<td>75.38 (max.)</td>
<td>84.15</td>
</tr>
<tr>
<td>40 (full-time work)</td>
<td>+ CB/BI</td>
<td>14.00</td>
<td>14.00</td>
<td>76.50</td>
</tr>
<tr>
<td></td>
<td>+ FIS/FC</td>
<td>31.96</td>
<td>40.50</td>
<td>19.05</td>
</tr>
<tr>
<td></td>
<td>+ HB</td>
<td>22.95</td>
<td>14.83</td>
<td>16.00</td>
</tr>
<tr>
<td></td>
<td>- IT/NIC</td>
<td>2.00</td>
<td>2.00</td>
<td>16.00</td>
</tr>
<tr>
<td></td>
<td>- HC</td>
<td>24.60</td>
<td>24.60</td>
<td>24.60</td>
</tr>
<tr>
<td></td>
<td>= Disp. income</td>
<td>82.21</td>
<td>82.73</td>
<td>94.95</td>
</tr>
<tr>
<td>80</td>
<td>+ CB/BI</td>
<td>14.00</td>
<td>14.00</td>
<td>76.50</td>
</tr>
<tr>
<td></td>
<td>+ FIS/FC</td>
<td>18.66</td>
<td>24.90</td>
<td>5.85</td>
</tr>
<tr>
<td></td>
<td>+ HB</td>
<td>16.31</td>
<td>1.38</td>
<td>32.00</td>
</tr>
<tr>
<td></td>
<td>- IT/NIC</td>
<td>9.67</td>
<td>9.67</td>
<td>24.60</td>
</tr>
<tr>
<td></td>
<td>- HC</td>
<td>24.60</td>
<td>24.60</td>
<td>24.60</td>
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<td></td>
<td>= Disp. income</td>
<td>94.90</td>
<td>86.01</td>
<td>105.75</td>
</tr>
<tr>
<td>120</td>
<td>+ CB/BI</td>
<td>14.00</td>
<td>14.00</td>
<td>76.50</td>
</tr>
<tr>
<td></td>
<td>+ FIS/FC</td>
<td>8.90</td>
<td>8.90</td>
<td>5.85</td>
</tr>
<tr>
<td></td>
<td>+ HB</td>
<td>6.29</td>
<td></td>
<td>32.00</td>
</tr>
<tr>
<td></td>
<td>- IT/NIC</td>
<td>26.87</td>
<td>26.87</td>
<td>24.60</td>
</tr>
<tr>
<td></td>
<td>- HC</td>
<td>24.60</td>
<td>24.60</td>
<td>24.60</td>
</tr>
<tr>
<td></td>
<td>= Disp. income</td>
<td>87.55</td>
<td>91.43</td>
<td>123.90</td>
</tr>
<tr>
<td>160</td>
<td>+ CB/BI</td>
<td>14.00</td>
<td>14.00</td>
<td>76.50</td>
</tr>
<tr>
<td></td>
<td>+ FIS/FC</td>
<td>14.00</td>
<td>14.00</td>
<td>5.85</td>
</tr>
<tr>
<td></td>
<td>+ HB</td>
<td>6.29</td>
<td></td>
<td>32.00</td>
</tr>
<tr>
<td></td>
<td>- IT/NIC</td>
<td>42.47</td>
<td>42.47</td>
<td>24.60</td>
</tr>
<tr>
<td></td>
<td>- HC</td>
<td>24.60</td>
<td>24.60</td>
<td>24.60</td>
</tr>
<tr>
<td></td>
<td>= Disp. income</td>
<td>106.93</td>
<td>106.93</td>
<td>147.90</td>
</tr>
</tbody>
</table>

Assumptions: Children, one aged under 5, one 3-10. 
Rent £16.55, rates £6.40, water rates £1.65. 
Free school meals £2.75, free welfare milk £1.61.

Abbreviations: CB = child benefit; BI = basic income; SB/IS = supplementary benefit or income support including free school meals, 
free-welfare milk; HB = housing benefit; HC = housing costs; disp. income = disposable income; FIS = family income 
supplement including free school meals and welfare milk; FC = family credit; IT/NIC = income tax/national insurance 
contribution.

all adults as separate tax and benefit units. Hence the 
figures in Table 1 columns 1 and 2 refer to legally 
mARRIED COUPLES ONLY, WHEREAS IN COLUMN 3 THEY REFER 
to any two adults with 2 dependent children.

ADEQUACY

Tables 2 and 3 and the graph on the front cover summarise the effects of the Fowler and BIG I(a) 
proposals on the disposable incomes of selected model 
families. These families are assumed to be tenants, 
paying average local authority rents and rates, and the 
couples are dependent on the wage of the father. It 
follows that the figures must not be generalised. 
Owner occupiers, tenants with higher or lower hous 
ing costs and two wage couples would all be affected 
differently. The figures also assume 100% take up of all 
benefits and no investment income. With supplemen 
tary benefit and family income supplement an 
allowance is included for free school meals and free 
Welfare milk. And with SB there is also a £2.20 heating 
allowance for children under 5. But no other SB 
additional or single payments are included. Thus the 
SB amounts shown are minimum entitlements, 
whereas the income support amounts are ceilings. 
Disposable income is defined as gross earnings less 
income tax, national insurance contribution and hous 
ing costs, plus any benefits to which there is ent 
itlement. The figures speak for themselves. In most 
cases the Fowler proposals cut disposable incomes at 
the bottom, including the incomes of the very low 
paid. Not many family men in full-time employment 
earn less than £110 a week, but in April 1985 an 
estimated 50% of full-time women earned less than 
£115. 

There are a number of reasons for these losses. First 
the removal of water rates from income support, the 
20% minimum rate contribution and the abolition of 
additional and single payments. Secondly the removal 
of the SB distinction between householders and non 
householders and the introduction of lower income 
support rates for people under age 25. Thirdly the 
huge reductions in housing benefit, which, for families 
with children, offset most of the gains from family
### TABLE 2: ADEQUACY, OUT OF WORK POPULATION OF WORKING AGE

<table>
<thead>
<tr>
<th>Family type</th>
<th>Existing system</th>
<th>Fowler illustrative</th>
<th>BIG I(a) illustrative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Single non householder</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age: 16-17</td>
<td>18.20</td>
<td>18.20</td>
<td>22.50</td>
</tr>
<tr>
<td>18-20</td>
<td>23.60</td>
<td>24.00</td>
<td>22.50</td>
</tr>
<tr>
<td>21-24</td>
<td>27.50</td>
<td>24.00</td>
<td>22.50</td>
</tr>
<tr>
<td>25 and over</td>
<td>27.50</td>
<td>30.60</td>
<td>22.50</td>
</tr>
<tr>
<td><strong>2. Single householder</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age: 16-17</td>
<td>29.50</td>
<td>15.51</td>
<td>30.20</td>
</tr>
<tr>
<td>18-24</td>
<td>29.50</td>
<td>21.31</td>
<td>30.20</td>
</tr>
<tr>
<td>25 &amp; over</td>
<td>29.50</td>
<td>27.91</td>
<td>30.20</td>
</tr>
<tr>
<td><strong>3. Married couple</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>47.85</td>
<td>45.31</td>
<td>52.70</td>
</tr>
<tr>
<td><strong>4. Married couple plus 2 children, under 5, 5-10</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>74.61</td>
<td>75.38</td>
<td>84.20</td>
</tr>
<tr>
<td><strong>5. Married couple plus 3 children, under 5, 5-10, 11-15</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>92.46</td>
<td>93.23</td>
<td>99.95</td>
</tr>
<tr>
<td><strong>6. Lone parent plus 2 children, under 5, 5-10</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(64.26)*</td>
<td>56.26</td>
<td>61.43</td>
<td>61.70</td>
</tr>
</tbody>
</table>

Housing assumptions etc as for Table 1

* long term supplementary benefit (after 1 year)

---

### TABLE 3: ADEQUACY, HOUSEHOLDS IN PAID WORK

| Disposable incomes, January 1986, from gross weekly earnings of: |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| £40 | £50 | £60 | £70 | £80 | £90 | £100 | £110 | £120 | £130 | £140 | £150 |

| 1. Single non-householder | | | | | | | | | | | | |
| Existing system | 38 | 45 | 51 | 57 | 63 | 68 | 74 | 80 | 86 | 92 | 98 | 104 |
| Fowler | 38 | 45 | 51 | 57 | 63 | 68 | 74 | 80 | 86 | 92 | 98 | 104 |
| BIG (I) | 47 | 53 | 59 | 65 | 71 | 77 | 83 | 89 | 95 | 101 | 107 | 113 |

| 2. Single householder | | | | | | | | | | | | |
| Existing system, age 18-24 | 36 | 41 | 43 | 45 | 47 | 48 | 53 | 59 | 65 | 71 | 77 | 83 |
| Fowler | 32 | 34 | 35 | 36 | 42 | 47 | 43 | 59 | 65 | 71 | 77 | 83 |
| BIG (I) | 35 | 39 | 40 | 41 | 42 | 47 | 53 | 59 | 65 | 71 | 77 | 83 |

| 3. Married couple, single wage | | | | | | | | | | | | |
| Existing system | 36 | 46 | 54 | 60 | 63 | 64 | 66 | 68 | 72 | 79 | 85 | 91 |
| Fowler | 35 | 45 | 53 | 57 | 58 | 59 | 60 | 66 | 72 | 79 | 85 | 91 |
| BIG (I) | 41 | 44 | 46 | 49 | 52 | 56 | 62 | 68 | 74 | 80 | 86 | 92 |

| 4. Married couple plus 2 children, under 5, 5-10 | | | | | | | | | | | | |
| Existing system | 82 | 91 | 94 | 98 | 95 | 93 | 92 | 87 | 88 | 91 | 95 | 101 |
| Fowler | 83 | 85 | 85 | 85 | 86 | 86 | 88 | 90 | 91 | 93 | 95 | 101 |
| BIG (I) | 95 | 98 | 100 | 103 | 106 | 108 | 112 | 118 | 124 | 130 | 136 | 142 |

| 5. Married couple plus 3 children, under 5, 5-10, 11-15 | | | | | | | | | | | | |
| Existing system | 95 | 105 | 110 | 112 | 112 | 110 | 109 | 108 | 107 | 100 | 102 | 107 |
| Fowler | 98 | 100 | 101 | 101 | 102 | 103 | 103 | 105 | 107 | 108 | 111 | 112 | 114 |
| BIG (I) | 111 | 113 | 116 | 118 | 122 | 124 | 128 | 134 | 140 | 146 | 152 | 158 |

| 6. Lone mother with 2 children, under 5, 5-10 | | | | | | | | | | | | |
| Existing system | 87 | 94 | 97 | 98 | 98 | 96 | 95 | 90 | 92 | 94 | 99 | 105 |
| Fowler | 74 | 82 | 85 | 87 | 89 | 90 | 92 | 94 | 96 | 98 | 100 | 105 |
| BIG (I) | 72 | 75 | 78 | 81 | 83 | 86 | 89 | 95 | 101 | 107 | 113 | 119 |

**Assumptions:** All earnings are for full-time work.

- Families with children: See Table 1.
credit. Thus a lone mother with 2 children and housing costs of £24.60 loses all housing benefit once her earnings reach £45.

The switch away from housing benefit is a main difference between Fowler and the BIG schemes. BIG I(a) focuses on households, in the belief that this is better targeting. BIG housing benefit (means-tested) includes elements for household overheads, heating and water rates as well as rent and rates, whereas the Fowler package channels family credit to low income families regardless of whether or not they are householders. This is arguably much less cost effective. Lone mothers living with their parents stand to benefit, while lone mothers cut off from family networks and near to destitution lose out.

EQUITY

Regrettably BIG I(a) produces losses for some lone parents. This is a price which has to be paid for moving to a system which is sex and marriage neutral. Under the existing system (Table 4) a lone mother with 2 children has £8 a week more disposable income than a single wage couple with 2 children, although the equivalent income necessary is less for a family with one adult than for a family with two. With BIG I(a) a couple with two children earning £120 has a disposable income of £123.90, compared with £101.40 for a lone mother. The difference is the basic income of £22.50 for the second adult.

Since disposable incomes do not take into account work expenses, the living standard or net spending power of the lone mother, after paying child care costs, would be even lower, which is probably unacceptable. It seems that the present subsidies for lone mothers are a crude attempt to offset their extra living costs, especially the costs of child care. It would be more logical and more equitable if these were dealt with through the tax system. A tax credit for work expenses, which could be claimed by any working mother or lone parent with a very young child, would be symmetrical between married and single. A credit of £10 a week per child under (say) 7 would be the equivalent to an earnings disregard of £25 assuming a 40% tax rate. It would help lone mothers to take paid work.

Table 4 shows the absurdity of the existing system and the Fowler proposals where two lone parents of the same sex share accommodation. Of course if they are of opposite sexes the situation is quite different. By contrast BIG I(a) is completely symmetrical.

<table>
<thead>
<tr>
<th>TABLE 4: EQUITY, FAMILIES WITH CHILDREN</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Disposable incomes of different model families, each with 2 children, from gross weekly earnings of £120, January 1986:</th>
<th>Existing system</th>
<th>Fowler</th>
<th>BIG I(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single wage married couple</td>
<td>£88</td>
<td>£91</td>
<td>£124</td>
</tr>
<tr>
<td>Lone mother</td>
<td>92</td>
<td>96</td>
<td>101</td>
</tr>
<tr>
<td>2 lone mothers, each 1 child, each earns half</td>
<td>175</td>
<td>169</td>
<td>124</td>
</tr>
</tbody>
</table>

ECONOMIC EFFICIENCY

For the purposes of this paper economic efficiency is defined as the propensity to do paid work. Since the total sum available for benefits under the existing and Fowler income support systems, and for basic incomes under BIG I(a), depends very largely on the taxation of earned income, it is vital to encourage people to contribute through paid work. Given the rapid growth of new technologies it is arguable that the tax base should be changed in order to reduce the relative cost of labour by comparison with machinery. Until there is such a change, however, there are two rules of thumb by which to compare the effects of different income support systems on the propensity to do lower paid work. The first is by comparing replacement ratios and the second, much simpler, is by comparing the levels of gross weekly earnings necessary to be £20 a week better off working than not working.

Replacement ratios. A replacement ratio is the amount of income out of work expressed as a percentage of the amount of income when in paid work. Table 5 shows disposable incomes out of work expressed as percentages of disposable incomes at £60, £100 and £140, for a variety of model families and for the existing social security system, the Fowler system and BIG I(a). Disposable income does not take account of work expenses. Therefore on an earned income of £60 a week a replacement ratio of more than 60% is probably too high for paid work to be worthwhile, certainly if there are child care costs.

In every instance BIG I(a) has a more beneficial effect on replacement ratios than the Fowler proposals. Fowler increases replacement ratios for non-householders aged 25 and over and for families with children.

Earnings necessary to be £20 a week better off in paid work. Most people have never heard of replacement ratios. They are interested in the extra spending power their work produces. That depends very much on the work expenses (travel to work, child care and so forth) which any particular job involves. A weekly gain of £20 before work expenses may turn out to be a net loss. The United Kingdom is the only EEC member state without income tax reliefs for either work expenses or earned income. Table 6 shows that BIG I(a) produces significant reductions in the earnings required to be £20 a week better off through paid work, but the minimum required is still £75 a week for householders.
To cut these levels further and make part-time work more worthwhile, it would be necessary to introduce a tax credit for travel to work costs as well as for child care costs. This is something which the Inland Revenue will fight to the death. They will say it is too expensive, too difficult to operate and likely to encourage people to live long distances from work. Exactly the same excuses could be applied in Germany, France and elsewhere, but there the first priority is to make paid work financially worthwhile. The gross costs need to be set against the gains from opening up the labour market to the unemployed.

**SIMPlicity**

Simplicity is hard to quantify and tends to be in the eye of the beholder. For DHSS officials there is little doubt that the Fowler package offers hope of a temporary respite. For employers, who have to operate the family credit, the work load will increase. As for claimants, where the system does become simpler that will usually be because they have lost entitlement.

Many people seem to think that simplicity means improved administration, usually by computerisation. But real simplicity means deregulation and setting people free to earn what they can, without signing on and signing off and all the other nighmarish processes of bureaucracy. The need to free the individual from

**TABLE 5: ECONOMIC EFFICIENCY, REPLACEMENT RATIOS**

<table>
<thead>
<tr>
<th></th>
<th>£60</th>
<th>£100</th>
<th>£140</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Single non householder</strong></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Existing system, age: 18-20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-24</td>
<td>55</td>
<td>38</td>
<td>29</td>
</tr>
<tr>
<td>25 &amp; over</td>
<td>55</td>
<td>38</td>
<td>29</td>
</tr>
<tr>
<td>Fowler, age: 18-20</td>
<td>47</td>
<td>32</td>
<td>24</td>
</tr>
<tr>
<td>21-24</td>
<td>47</td>
<td>32</td>
<td>24</td>
</tr>
<tr>
<td>25 &amp; over</td>
<td>61</td>
<td>42</td>
<td>32</td>
</tr>
<tr>
<td>BIG I(a), all ages</td>
<td>39</td>
<td>28</td>
<td>20</td>
</tr>
</tbody>
</table>

| **2. Single householder** |          |      |      |
| Existing system, all ages | 70       | 57   | 39   |
| Fowler, age 18-24         | 60       | 40   | 27   |
| 25 & over                 | 70       | 53   | 36   |
| BIG I(a), all ages         | 65       | 48   | 35   |

| **3. Married couple** |          |      |      |
| Existing system          | 89       | 73   | 56   |
| Fowler                   | 85       | 75   | 53   |
| BIG I(a)                 | 77       | 63   | 49   |

| **4. Married couple plus 2 children, under 5, 5-10** |          |      |      |
| Existing system           | 80       | 82   | 79   |
| Fowler                    | 88       | 85   | 79   |
| BIG I(a)                  | 84       | 78   | 62   |

**Assumptions:** housing costs as before
no account taken of work expenses

---

**TABLE 6: ECONOMIC EFFICIENCY, GROSS WEEKLY EARNINGS NECESSARY TO BE £20 A WEEK BETTER OFF IN PAID WORK**

<table>
<thead>
<tr>
<th></th>
<th>Existing system</th>
<th>Fowler</th>
<th>BIG I(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single non householder</td>
<td>45/50/55*</td>
<td>45/50/60*</td>
<td>35</td>
</tr>
<tr>
<td>Single householder</td>
<td>95</td>
<td>80/90*</td>
<td>75</td>
</tr>
<tr>
<td>Married couple</td>
<td>110</td>
<td>109</td>
<td>75</td>
</tr>
<tr>
<td>Married couple plus 2 children</td>
<td>70/140**</td>
<td>140</td>
<td>75</td>
</tr>
</tbody>
</table>

* According to age group
** On earnings between £70/£80 and £140 disposable income falls (see Table 3)

**Assumptions:** housing costs as before
no account taken of work expenses
the excesses of officialdom and yet preserve the safety net is another of the many problems to which the Fowler review teams seem not to have addressed themselves. With the breakdown of the traditional labour market, increasing numbers of unemployed people face a difficult choice. Either they must abandon hope of paid work or they must accept whatever work is available, including irregular, part-time and spasmodic work. Under the existing social security system and under Fowler, these people are penalised by being expected to report every change in their circumstances. If they did so the system would collapse under the strain. But by not doing so they are criminalised. Fowler changes none of this. On the contrary family credit opens up vast new avenues to abuse and collusion between employers and claimants. Sadly, in a few years from now, when the social effects of the changes become apparent, it will be the victims of those changes, not the authors, who take the blame.


2. Except for means-tested housing benefit.

GUY STANDING

It is wishful thinking to suppose that a series of clever ‘chipping away’ measures can solve or ameliorate the unemployment crisis in the United Kingdom. Job creation in the Manpower Services Commission sense, fiscal measures such as juggling with national insurance rates, corporation tax rates tied to lower average wages (an argument presented in the Financial Times recently), the use of monetary policy to reflate the economy, the Employment Institute’s ideas for guaranteeing ‘jobs’ for the long-term unemployed, incomes policy – none of these will bring back anything like full employment.

In this article (a longer version is published in the March issue of the International Labour Review) it is argued that the labour surplus is too large for such palliatives. What is needed is something that will mesh with the rapidly increasing flexibility of labour (the shift from full-time to part-time; casualisation; high turnover), with its attendant income and job insecurities. And that is where the basic income approach to social security is so promising.

THE EMPLOYMENT CRISIS

The wishful thinking behind the usual remedies on offer can best be shown up for what it is if we face the enormity of the labour surplus. The conventional statistical representation of that surplus is highly questionable. Consider the facts. A smaller proportion of the labour force than at any time since the 18th century is in manufacturing jobs. Meanwhile, based on the numbers claiming unemployment benefit, about 14 per cent of the labour force is unemployed. But the situation is much more serious than even that figure suggests.

What we need is a way of measuring labour surplus or labour slack that takes account of the various forms of sub-employment. To do this, we can make use of the EEC Labour Force survey. The 1983 figures are the latest available, and at that time, for the U.K., the survey measure of active unemployment – defined as those seeking work in the reference week – stood at 10.8 per cent.

Now, it is of interest that many politicians and commentators claim that we should focus on the employment rate rather than on the unemployment rate. According to repeated statements by the Chan-
cellor of the Exchequer and by Lord Young, and in the 1985 White Paper Employment – The Challenge for the Nation, Britain has the highest, or one of the highest, employment rates in Europe. This is scarcely supported by the latest available internationally comparable data. Most strikingly, the UK had only 42 per cent of the adult population aged 16 and over in full-time employment. This rate is lower than France, Denmark, Germany, Luxembourg, Greece, Italy and Ireland, in that order. The implied dependency ratio is alarming, especially as there is ample evidence that this full-time employment ratio has been declining.

The UK also had the lowest proportion of its youth population in schooling, a factor that might otherwise have been cited as an excuse for the relatively low 42 per cent employment ratio. Lest this be thought merely to reflect the female employment pattern, it must be pointed out that only 55 per cent of the adult male population were in full-time jobs, to 24 per cent of women in such jobs (that is, usually working 30 or more hours a week). At the time, over 19 per cent of all employment consisted of part-time jobs, which rose to 21.4 per cent in 1984 (both figures are slight underestimates of the number of part-time relative to full-time jobs, for statistical reasons). These figures were not the highest in Europe by any means. If we compute a full-time equivalent employment ratio, but counting each part-time worker as half a full-time worker, then the employment ratio was still only 47 per cent in 1983, lower than in a number of other countries.

LABOUR SLACK

From this perspective, we can start to measure the full degree of labour slack. First we can compute a full-time equivalent unemployment rate, which involves examining the job-seeking behaviour of those in part-time employment and in active unemployment. To do this, we count those in involuntary part-time work, who are seeking full-time jobs, as half unemployed, half employed; those in voluntary part-time employment are counted as half employed, half economically inactive. Using these definitions, a straightforward calculation shows that the standard unemployment rate underestimates the full-time equivalent unemployment rate by 13.8 per cent; which suggests that the unemployment rate in late 1985, using an adjusted claimant basis count, would be about 15.7 per cent.

That is not enough. We also know that a large number of people were discouraged or passively unemployed, and that when an upturn occurs many of the new jobs are taken by those who, on an active or on a claimant basis, are at the moment omitted from the figures. In 1983, the data suggested that as many as 14.8 per cent of the total unemployment were passively unemployed, and were excluded from the 10.8 per cent unemployment rate mentioned earlier. By including them, and assuming that the same proportions want full-time and part-time jobs as among the active unemployed, the 1985 full-time equivalent unemployment rate (FTE) goes up to about 17.8 per cent – nearly 50 per cent higher than the standard figure. Moreover, using this technique, female unemployment turns out to be higher than male unemployment, whereas the reverse is the case using the standard unemployment measures.

Again, that is not enough. For we must also include those who had a job but no work in the reference week for economic reasons (absence of orders, weather conditions etc) – i.e. excluding those on holiday, away sick etc. Still using the EEC Labour Force Survey data, it is possible to get a full-time equivalent estimate of the number who fall into this category, and they too should be added to the numerator. Finally, there are those who, for economic reasons rather than for personal reasons, were working unusually short work weeks, and who can be converted into a full-time equivalent number of persons through knowledge of their usual and actual hours of work.

Thus, we arrive at a composite labour slack rate. Including the active and passive unemployed, the involuntarily part-time workers, those with jobs but not working for economic reasons and those working involuntarily short-time, we estimate labour slack as 14.9 per cent in 1983 compared to the standard 10.8 per cent unemployment rate in the survey. Assuming no underlying changes in the relative numbers to the claimant unemployment figures, these adjustments imply that the current labour slack rate should be about 19.0 per cent.

Nobody should regard this number as anything more than approximate. But we could add other groups as well, for the data indicated that many people were in “temporary” jobs due to end shortly. It is also clear that perhaps half a million of the 700,000 or so persons on special measures should be included in any real measure of labour slack, many being somewhat artificially deducted from the measured labour supply. And we have reason to question the apparently enormous growth of “self-employment” since 1979, an enigma made somewhat bizarre by the recent government decision to add vacancies for self-employed jobs to the job vacancy statistics, a delightful linguistic contradiction.

So the labour surplus is probably one in five of the readily available labour supply. That sort of figure is scarcely to be dented by clever fiscal juggling. If special measures were to be expanded much more, the strain on public expenditure would be catastrophic, and the quality of the schemes would suffer. In short, conventional measures offer no real hope for dramatically changing the situation.

AN ALTERNATIVE SOLUTION

There is, however, a large amount of agreement across the political spectrum on three points. The first is that the labour market is in a mess. The second is that the social security system is in a mess. And the third is that each is adversely affecting the other.

While Mr Fowler’s Reviews recognise the social security crisis, which Mrs Thatcher has called a “time bomb”, his tinkering has actually achieved one major advantage. For the first time since the 1940s the social security system has been opened to fundamental questioning by mainstream commentators and politicians. In that context, it may well be that the time is coming for an explicit shift from the national insurance principles that Beveridge established and which have been undermined by the declining contributions “base”, as fewer and fewer people are in regular full-time employment and more people are becoming wholly or partially dependent on state transfers.
BASIC INCOMES

That is why the idea of a comprehensive, guaranteed basic income, paid to everyone regardless of work status, is gaining ground across the political spectrum. It has attracted adherents in many European countries and in North America, notably in Canada. It is an old idea, but it is possible that its time has now come.

Basic incomes would involve the abolition of all existing transfer schemes (with the possible exception of housing benefit), and the payment instead to every individual of a basic income, set at about the current supplementary benefit levels for able-bodied adults of working age, more for invalids and the elderly. All other income would be subject to tax, and ideally the tax-benefit system would be fully integrated.

Critics have dismissed this general idea on grounds of cost. Those on the political right have also claimed that it would impair incentives to work and those on the left that it would lead to wage reductions. Those criticisms are beginning to look increasingly weak, while the advantages of such a reform are beginning to look increasingly powerful. Thus the cost has to be set against the fact that, including tax reliefs (which are indirect benefits), transfers already account for 30 per cent of Gross Domestic Product. Moreover, if all those entitled to current benefits claimed them, the cost would be about £1 billion more, while the number dependent on state benefits is growing all the time.

The incentive criticism is weak because the tax-benefit system already subjects various groups to marginal tax rates of over 80 per cent and sometimes over 100 per cent. Estimates carried out by the Basic Income Research Group suggest that the starting rate of tax necessary to make a partial basic income scheme revenue neutral would be 40-45 per cent, compared with the present 40 per cent (if standard rate income tax and contracted-in national insurance contributions are taken together).

DYNAMIC COST ACCOUNTING

Static cost comparison may in any case be over-pessimistic. By removing the poverty and unemployment traps, more of the "hidden" or "black" economy could become open and therefore accessible to the Inland Revenue, thereby increasing the tax base. However, the most fundamental advantage of such a scheme is that it would greatly encourage more flexible work patterns and allow labour market flexibility without greater personal insecurity (the major drawback of labour market flexibility). It would shift the debate from the chronic problem of unemployment to more desirable patterns of time allocation over the life cycle and within households and communities. It provides one blade for cutting through the dilemma of the post-industrial political economy, since any advanced humanitarian society must provide those outside and those at the periphery, as well as those in the core of the productive process, with adequate income security. The other blade must ensure continued accumulation, which means profitable investment. If the gap between the core and the periphery is not to grow even wider that implies some sort of profit-sharing.

But profit sharing without a guaranteed social income scheme to replace the existing benefit system would be no solution. For a growing mass of people
This paper explores the relationship between income maintenance and the personal social services and concludes by recommending an integrated cash and care service, but only as part of a reformed social security system, which would guarantee a firm basis of non-means-tested cash provision to every citizen.

The paper draws on research I have done in Britain, France, Belgium and Ireland. All these countries have social security systems and all employ social workers (including home helps, residential and day care workers, group and community workers) to provide services for needs not primarily associated with poverty. Yet the needs and problems of people who seek state help, in cash or in kind, are seen by the beneficiaries themselves as one whole. The fragmentation of cash and care services between different agencies slots the citizen’s requirements into administratively convenient categories, and produces a network of financial assistance and social work services which are determined by influences other than a straightforward analysis of what clients actually need.

It is not known to what extent there is an overlap in clientele. Most British social services departments that I have consulted have not kept systematic records of how many of their clients are supplementary benefit claimants. Indeed they often regard such information as relevant only if the problems in a particular case show it to be necessary, in which case it is confidential. However, a recent report at Nottingham University, drawing on eleven field surveys, claims that 90% of the new referrals to the social services reviewed are from families or individuals in receipt of social security benefits (my own earlier work put the percentage at about 60%). There certainly has been a large increase since 1980 in referrals from unemployed individuals and from families where the breadwinner is unemployed.

My information from France and from Belgium gives a similar picture. Referrals from elderly people over 70 are heavy and so is the demand for home help services and for assistance with mobility and all forms of domestic chores. In all four countries under review applications for financial assistance have increased over the past five years, but the proportions of elderly people has declined and the proportions of unemployed people and lone parents have increased substantially. But the number of families supported by income-tested assistance is far higher in Britain than in France or Belgium.

This is not the place for a critical assessment of the British social security system. The purpose of my contribution is to focus on the operational links between cash services and caring services. Those links are the result of past political history and current political controversies in each country. Any study of the practical relationships between social workers and public assistance workers has to be seen in this context.

In Britain we have a total functional separation of social work from income maintenance (save for the comparatively minor provisions of the 1963 Act to which I shall return). This is different to Belgium, where social assistance claimants must be interviewed and assessed by qualified social workers employed by the local public assistance office. It is also different to France, where social workers are employed by a wide variety of health and social security agencies. In Britain two employing agencies (the local authority social services department and probation service) have a virtual monopoly of social work. How has the British separation between cash and caring come about? More important, is it in the best interest of clients?

There are of course sceptics who doubt the usefulness of social workers per se. Some argue that cash is always preferable to, and more efficacious than, personal social services, whether in the form of counselling or state day or residential care. The case for personal social services rests largely on the argument that some kinds of assistance can only be beneficial if provided within a relationship based on detailed understanding, goodwill and trust between giver and receiver. But to what extent does this apply to financial aid?

"Social and financial difficulties are often so intertwined that neither problem can be resolved in isolation from the other," wrote Olive Stevenson in Claimant or Client?

And again, in the same book, she wrote:

"The assumption on which separation of services is based is that it is desirable to keep an individual's financial need and entitlement apart from his social and psychological need and entitlement . . . Nonetheless, there is abundant evidence that the separation creates a multiplicity of difficulties for the majority of claimants for whom these needs are intertwined."

In their study of Scotland's social work departments, Jackson and Valencia suggested:

"While it is relatively easy to define the major aims and responsibilities of the assistance agency on the one hand, and the Social Services and Social Work departments on the other, it is far more difficult to define the boundaries of their interests precisely and thus ensure that overlap does not occur." 3

Some of the difficulties encountered are the product of the markedly different ways in which the 'professionals' are seen by each other, and by the public. Leech comments in this context:

"There is a stereotypical distinction made between the social worker and the supplementary benefits official. The social worker is typically seen as a professionally trained worker, with a broad concern for his/her client . . . the supplementary benefits officer is seen much more as a clerical worker, whose job requires training only of an administrative kind and which involves a much narrower concern . . . with the claimant . . . "

In her recent thorough survey of the relations between supplementary benefit and other agencies Susan Tesler writes:

"A common response to differences is
stereotyping... the social worker regards the officer as hard and inflexible, while the officer sees social workers as soft and gullible. The other side, thus reduced to a stereotype, can be used as a scapegoat. This response works against good liaison. In practice the differences between types are blurred... Some DHSS officers may be as highly qualified as social workers and some, for example visiting officers, are very much concerned about welfare.4

The Seebhod Report5 was so committed to setting social work and closely allied services in a powerful and separate position in the political system that it dismissed very quickly one alternative, namely that social workers, as professionals with distinctive skills in helping people, might be attached to a variety of agencies whose terms of reference were more specific and limited. Yet such is the situation of social workers in France and Belgium, employed in large numbers by social insurance agencies, by the family allowance funds and in the general health and social services directorates.

This does not prevent social workers in France and Belgium from having a distinctive professional identity. Indeed it could be argued that it is stronger on the European continent than in the United Kingdom and Ireland, since in France and Belgium the title of social worker is protected by law, and no one may practice without a recognised qualification.

The distaste of the British social work profession for direct involvement in the giving of cash to clients is modified in two important respects:

(1) Welfare Rights. There is a growing conviction that social workers must be knowledgeable about benefit entitlements and must sometimes involve themselves in helping clients to obtain them. Welfare rights counselling is increasingly emphasised in social work training courses and is advocated by the Central Council. Hence social workers are now better equipped to advise on both the obligations as well as the rights of social security, on the contributions to be paid as well as the benefits to be drawn.

(2) Section One Payments. Social workers are involved in financial assistance to clients under Section 1 of the 1963 and 1980 Children and Young Persons Acts, and Sections 12 and 94 of the 1968 Social Work (Scotland) Act. The justification for financial help is to avoid family break-up and children coming into care. The A.M.A. study states that "Section 1 expenditure is not a good indicator of increased need arising from financial hardship." However, the most recent report of the Association of Directors of Social Services, based on evidence from its respondents, makes this assessment of Section 1 payments:

"The Association is extremely concerned at the sharp increase in expenditure on Section 1 payments - 16.9% between 1981/82 and 1982/83, and 22.7% between 1982/83 and 1983/84. Indications are that this expenditure continues to rise. We would like to report that the increases are the result of improved prevention. Reports from Directors, however, show that the payments are largely to alleviate financial hardship and the increasing financial pressures families are experiencing. Payments are primarily made to cover reconnections of electricity supplies, some clothing needs which supplementary benefits are failing to meet and rent where housing authorities view tenants as being intentionally homeless. Local authorities are concerned that they are increasingly being drawn into the field of income maintenance - particularly as unemployment continues to take its toll."

This means that early warnings in Bill Jordan's books6 of the danger that social workers may substitute their cash payments for social security benefits may well be justified. I am grateful to Gordon Halliday for a more precise breakdown of cash payments to clients, made by Devon Social Services.7 Here grants for fares and cash advances are the largest items followed by money for household necessities. Nearer to the purposes of the Acts there are a number of substantial special payments for short-term crisis work for child-minders and fostering, together with smaller sums for preventive work through youth clubs and children's holidays.

It is interesting to compare the extent to which local authority funds are used in different countries to cover delays in the payment of social security benefits. In Belgium social workers report that a substantial proportion of cash advances from local social assistance officers are used to cover delays in social security payments. In Ireland many of the cash grants made by community welfare officers of the Health Boards are advances on delayed payments by the Department of Social Welfare. The resulting confusion is a major item in the Social Welfare Commission's enquiry into the whole Irish income maintenance system.8 The general opinion of the English social services departments of whom I have made enquiries is that, despite its present diversion into plugging gaps in benefits, the departments would not want to renounce the use of Section 1 payments, and see them as potentially an important part of social work. This is an endorsement of the need for integration of cash and caring.

There is certainly much more referral from social services to social security than in the opposite direction. There has been scepticism, if not alarm, among social workers and supplementary benefits staff when we have mentioned the Belgian social assistance model, where social workers must take the assessment interviews of new claimants. An element often forgotten is that the social worker prepares the case file and makes recommendations, but the final decision on the award of assistance cash benefits is taken by the elected lay administrative council.9 This is possible within systems like the French or Belgian, where both social insurance and social assistance are operated through elected local bodies.

It is quite different when all social security is operated through the local offices of one national government department, as on the British model. On the other hand, British social workers have reason to be thankful that the National Health Service virtually eliminates queries about payment for (or reimbursement for the costs of) medical care, with which continental social workers and social assistance officers have to deal. Similarly the contact for liable relatives in Britain is not like the French and Belgian "family obligation to maintain", which extends over three generations and which may well involve the recovery of cash advanced to claimants.10 Two recent aspects of DHSS policies have caused increased representation of clients by social workers to
the DHSS. These involve payment of costs of residential care in private or voluntary homes for elderly people, and the rules concerning allowances for young people living alone, away from their home area.

The main points of contact between social workers and supplementary benefit services over these and other matters are the visiting officers, the special case officers and the representation of clients at Social Security Appeal Tribunals. A great deal has been written about the iniquities of home enquiries by DHSS officers and the resulting invasion of privacy. Enquiries into family circumstances on financial grounds would of course be drastically reduced if steps were taken to make the individual adult the unit of entitlement, since marital relationships would then become irrelevant. Of course such a reform might not be advantageous financially to everyone, and it needs to be studied with caution. But it would certainly reduce the need for enquiries into social circumstances.

The Government's new Social Security Bill has important implications for cash and caring. Richard Berthoud's thorough analysis13 is a good guide, which avoids the somewhat hysterical reactions reported in the specialist press. Now it may appear politically naive, if not highly suspect, even to give consideration to the proposed Social Fund, especially in view of the strong opposition to it expressed by the Association of Directors of Social Services. But, as with the past history of cash and caring, Mr Fowler's proposals need to be viewed in their political and economic context.

The present high unemployment rate imposes on three million people and their dependants a living standard far below that of the majority. This makes necessary both short-term government programmes for temporary employment and long-term changes in our whole pattern of work and income distribution. Social security and social care are inseparable from work and wages. Reforms are necessary which will stop the emergence of a "claimant class" and which will correct the excesses of a "dual" society. If a lot of people had more money, they would not need social workers to help them claim benefits. This means tax according to ability to pay, abolition of the contributory principle for social security benefits, a fixed ratio between wages and benefits and a national minimum for both, and a large scale reduction in the numbers of people dependent on means-tested provision.

Furthermore, income maintenance laws must be coordinated with the laws of maintenance (liability to maintain). It makes no sense to pay adult benefit rates for the proposed new income support only from age 25, when the legal age of majority is 18. Equally it makes no sense to assume total independence under age 18 for benefit purposes.

Given these changes, and not without them, it becomes possible to envisage a reformed system of residual cash provision and social care which legitimises and encourages the joint involvement of careers and cash awarders. Moreover, within that context, some of the purposes of the proposed Social Fund are of special interest. The provision for so-called "community care" needs, for people moving from institutional care (or avoiding it altogether), or for people with travel expenses to visit children or relatives, are examples. Here the Green Paper is more explicit than the later White Paper. Is it a proposal for increased funding for inadequate "community care"?

"The type of approach needed in dealing with claimants who will often be experiencing stress has marked similarities with that expected of professionals, such as social workers or health care staff. A large part of the social and health needs which the community provisions now meet are the financial counterpart of other services. However, there have been long-standing tensions and difficulties over where the boundaries of the respective responsibilities lie. We do not believe that a wholly satisfactory balance has been established. There can be problems in ensuring both that social services and financial provision do not take on each other's roles and, more particularly, that an individual receiving help from a variety of sources receives a well balanced mix of cash and care. The Government sees attractions in moving over a longer period towards a more flexible system, which might be extended to those not receiving income support. Such an approach would need to be developed in joint working with other professionals."

There is only one comparative reference in the White Paper, namely to New Zealand. However, the proposed division of income support from the Social Fund is very similar to Aide Légale and Aide Facultative in the present French system. The proposed help with family management is a commonplace to the French Family Allowances social workers, and the decision to abandon designated suppliers is paralleled by the phasing out of food tickets in France.

Thus the Social Security Bill gives us an opportunity to re-think the relationship between providing care and awarding cash to those who are in need of both simultaneously. Our first objective must be to reduce drastically the number of people dependent on means-tested or income-tested benefits. Supplementary benefit officers are overwhelmed by increasing hordes of claimants, for whom there is inadequate staff.

Whole categories (the elderly, the sick, the registered unemployed and those with dependent children) must be made eligible for cash benefits without recourse to proof of means and needs. This will almost certainly involve increased costs. That would be evidence of social solidarity. It then leaves the Beveridge safety net for EMERGENCIES ONLY, instead of for 4 million people. And it allows social workers to deal with those who have personal problems (often linked to cash) in a better coordinated way.

Our British institutions have installed a separation of the cash and care functions, but other models are available and are worth study and experiment. They should not be rejected out of hand merely because established interests are threatened. The definition of the role and tasks of social workers in generalist social service, or in probation departments, are partly determined by the profession and partly by the institutions they serve. It would be possible to try out the effects of giving training as social workers to staff in the residual part of the reformed social security services and to define their role as all-purpose social workers within the framework of income maintenance. It would also be desirable to study the integration of cash grants for preventive family care and cash grants for income maintenance.

In all our explorations the needs of clients must come first, not the interests of any particular structure
of services. Moreover, underlying the whole question of services varied according to individual needs, there must be a minimum guaranteed basic income derived from work or from a combination of work and public income support. Without the firm basis of cash, the most skilful caring rests on an insecure foundation.

4. Cash and Care Susan Tester, Bedford Square Press 1985
5. Report of the Committee on Local Authority and Allied Personal Social Services, (Seabourn Committee) Cmd. 3703, HMSO 1968
6. Association of Metropolitan Authorities, 1985
9. Personal communication, based on County Council Records, from the Director of Social Services for Devon.

Professor Leaper is Professor of Social Administration at the University of Exeter. This article is an abbreviated version of the 1986 John Hamson Memorial lecture, given by Professor Leaper in Exeter in January.

AT HOME
AND ABROAD

NETHERLANDS
THINK TANK
RECOMMENDS
PARTIAL BASIC
INCOMES
BILL JORDAN

The report Safeguarding Social Security, by the Netherlands Scientific Council for Government Policy, (see BOOKS RECEIVED) is far more coherent and comprehensive than the British Government's Green and White Papers on the Reform of Social Security. Instead of restricting itself to the issues of rising costs and complexity, it also considers more fundamental problems, for instance the problem of reconciling the individualisation of benefits with the extra costs of householders; and the impact of the social security system on labour supply and demand. The result is a report which is far more wide-ranging than the UK documents, even though its conclusions and recommendations are cautious.

The Report's starting point is that traditional definitions of full employment are unsustainable. Hence the statutory links which exist in the Netherlands between the net employment income of "breadwinners" and the guaranteed minimum income of households dependent on social assistance need to be questioned. The crucial problem is not the crude one of rising "spending" on social security, but the combination of increased levies on labour (which make it an expensive factor of production) and the high marginal rates of income tax and social insurance contributions (which reduce the value to employees of lower paid work). The report argues that labour supply has become too inflexible, and that the growth of economic participation by married women makes the statutory minimum wage an anachronism. Consequently, it looks for ways of making labour less expensive to employers and recommends abolition of the minimum wage.

Its other main contention is that changing household composition and diminishing household size, along with increased female participation, raise new issues about individual rights to benefits. It neatly summarises the dilemma of choice between the fully-fledged principle of individualisation and the principle of household needs and means. The simplicity and justice of the individualised system are recognised, although the problem of providing an adequate income for single-person households is seen as a strong disadvantage. It concludes that during a period of rapid social change the choice in favour of either the
individualisation principle or the need/economic means criteria in the social security system will cause tensions one way or another. As long as the diversity of household forms persists, no ready-made solution will be available. Instead, effort will have to be made to find a solution that, insofar as is possible, steers a “neutral course” (page 27).

The scheme eventually recommended by the council is, like that of the British Government, a compromise between a number of principles, but a more considered and less expedient one. It relies on four main elements:

1. **A partial basic income.** This would be payable to all citizens, at a rate below subsistence (about £25 a week at current exchange rates and prices), payable on an individual basis. It would equal the difference between the social assistance minimum for a couple and for a single householder. It would be unconditional. Elderly and disabled people would have a higher basic income, enough to take them up to the current social assistance minimum. Children would have lower basic incomes, equal to current child benefits.

2. **General loss of earnings insurance.** This would be for employed people, providing cover against loss of earnings through sickness, unemployment or industrial accident. The rates are so devised that insurance benefit plus the partial basic income would together bring people up to the social assistance minimum, thus reconciling individualisation (the basis of the partial basic income) with household need.

3. **Social assistance.** This is a means-tested residual scheme for people not in employment, without insurance cover and hence below the national social assistance minimum. They would be mainly single parents, unemployed school leavers and those not earning enough to bring them up to the national minimum, despite the partial basic income.

4. **Voluntary insurance against loss of earnings.** Individuals would be encouraged to insure against loss of earnings in order to receive benefits above the national minimum.

The mixture is an ingenious one, but has many disadvantages. Even though social assistance would be relegated to a residual role, it would be confined to precisely those groups who are so often excluded from insurance-based schemes. This would perpetuate family poverty and stigma amongst the low-paid and unskilled. There is little evidence of redistributive intentions in the scheme, and little if any attempt to compensate low earners for the removal of protection against exploitation through minimum wages. On the labour side, an attempt to reduce labour costs by financing the basic incomes partly out of corporation tax, VAT, import duties and so on makes for a good deal of uncertainty and complexity over funding.

Nevertheless, the Council’s scheme is interesting as a proposal for a transitional phase, rather similar to the one put forward by Robin Smail in Bulletin No 4, but with the significant omission of the minimum wage. If there were a declared intention to raise the partial basic income annually over a long period, it could represent a step towards the kind of system some of us in BIRG would advocate.

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**NATIONAL UNION OF STUDENTS SUPPORTS BASIC INCOMES**

The National Conference of the National Union of Students held in Blackpool last December resolved (i) to campaign for a system of social security which provides a basic income for all and (ii) that the promotion of an alternative to the present system should be made a key part of the work of the National Union. The NUS has already published a discussion document ‘Grant Us A Living’ (February, 1985) which proposes an Education/Training Allowance for all students and trainees of 16 and over structured very much on the lines of a Basic Income.

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**DEBATE ABOUT BASIC PENSIONS IN GERMANY**

On 20th January the German “Greens” held a one-day, international conference in Bonn, to discuss their proposals for a guaranteed basic pension of 1000 DM a month (about £65 a week). The German state retirement pension is entirely earnings-related. An estimated 1/2 million old people live below the social assistance poverty line and a further 0.3 million receive social assistance occasional payments. Those worst affected tend to be single women, especially divorced women who had assumed that their former husbands’ pension entitlements would support them in old age.

In theory social assistance is available to top up the incomes of those whose pensions are inadequate. But unlike British supplementary benefit, German social assistance takes into account the resources of the claimant’s adult children as well as the resources of the claimant. Many pensioners prefer poverty to dependence on their children.

The basic pension proposed by the Greens would be based on citizenship, payable from age 60, without means-test and tax-free. It would be financed out of federal revenues. A second tier State earnings-related pension is also proposed.

A switch to basic pensions is also advocated by the Institut für Wirtschafts- und Gesellschaftspolitik (IWG), a right wing research institute directed by Dr Meinhard Miegel. But in his address to the conference Dr Miegel argued that the Greens proposals were too expensive. The basic pension advocated by the IWG would be set at 40% of the average net wage and would be tax-free. The second, earnings-related tier would be privatised.

A third group of speakers, including Dr Bernd Schulte of the Max Planck Institut in Munich (who are BIRG subscribers), preferred reform within the existing system, with the introduction of a means-tested, guaranteed pension (to supplement the earnings related pen-
FRANCIS PYM GIVES THE GO AHEAD

The following is an extract from the speech made by the Rt Hon. Francis Pym MP during the Social Security Second Reading Debate, 28th January 1986. (Official Report Volume 90 No. 45, columns 840-842):

"The Bill is essentially a continuation of the constant piecemeal amendment of the methodology that we have had for 40 years. The complexity of the present arrangements has been demonstrated clearly by the speeches of my right hon. Friend the Secretary of State and the hon. Member for Oldham, West. When the present system was introduced 40 years ago, it was based on clear principles and established facts, beginning with well researched estimates of family means and family budgets. Those estimates had been much discussed for many years. No such estimates exist in contemporary society, however, and no such estimates exist as a background to the Bill. The rates of benefit today are the result of decades of ad hoc adjustment and quite a long way removed from any well-researched foundation in fact.

"The Bill is yet another range of adjustments, some beneficial and others not. We know that there are gainers and losers. My right hon. Friend claimed that it represents some fundamental change. I find it very difficult to see how that point of view can be maintained. That is why there will be so much controversy about it. A genuinely fundamental re-appraisal is essential in view of the huge social and economic changes and of the huge new opportunities that are now available. My criticisms of my right hon. Friend's Green Paper, his White Paper, and of the Bill are that they provide evidence of the need for a new framework, a new philosophy and new principles to govern our provision of social security in the circumstances of today.

"We know that we are not dealing adequately with poverty. We shall not be able to deal with it adequately until we agree to define it in an up-to-date way. The first requirement of an effective social security system is that it should alleviate poverty and hardship and try to prevent them. That can be done only if benefits are based on objective, up-to-date calculations of the needs and the costs of families of widely varying compositions. No such calculations exist today. I urge my right hon. Friend to set that work in hand. That is an essential preliminary to the creation of a modern, effective social security system.

"There are other requirements, but I will mention only a few. One requirement is a strong and positive incentive to work. An end to the poverty trap is a clear need, because that trap acts as a major disincentive. People must be encouraged to earn, which means that they must be able to enjoy the benefits of their labours. We must discourage state dependence, encourage self-reliance, and make it worth while to work.

"We must promote family life and sound social values. The extent to which we subsidise single mothers and marriage break-ups is a cause of the increasing number of lone parents, which any sound policy and strategy must seek to discourage. I do not speak against their needs, but we require a Bill that encourages families.

"Yet another requirement is that the system must be simple to understand and simple to administer. The present system is neither of those things, because circumstances are much changed. The Bill does not bring about any significant improvement. That is especially shown in part V, and clause 41 in particular, which envisages a collection of rules, which I expect will be indeterminate, uncertain to some extent and capable of different interpretations in different places and in different circumstances. Selectivity is nice in theory, but it has difficulties in practice.

"I wish to make three recommendations to the House as to how we should proceed in future. First, the Government should not rest upon the Bill. They should move forward and institute a review that we can all accept as a major long-term, fundamental review that encompasses all forms of state benefit and all aspects of direct personal taxation. The continued separation of those elements is a main cause of the present complexity and incoherence. There must be a planned relationship between benefits and personal taxation. I should like those elements to be integrated, but if it is proved that that is going too far, there must at least be a planned relationship. I believe that integration is possible and will prove to be the correct policy.

"All benefits and personal taxes should be the responsibility of one Department. I am aware that there is considerable resistance to that proposal, which is perhaps human, because Departments have their own interests. However, that resistance must be dispelled.

"The process of taking money from those thought capable of affording it by means of taxes and of giving benefits to those who are judged to be in need are two sides of the same coin. Today, those processes are still considered separately. It is high time that they were brought together. I do not know whether the Green Paper on personal taxation that is to be introduced by my right hon. Friend the Chancellor of the Exchequer on budget day will go in that direction, but I hope that it will.

"The review would be appropriate for a Royal Commission, which is out of fashion these days for no good reason except that it might produce a report that did not say what the Government wanted. I do not mind how it is done or what the body is, but we must choose the vehicle that will provide us with the best answer.

"My second recommendation is that the whole approach to the modernisation and recasting of the social security system should be broadly based across the political spectrum. Obviously there will be political argument and controversy, as there should be. However, the objective is to secure maximum public consent. Political differences cannot be eliminated altogether, and I do not suggest that anyone should try to do so, but to allow a major issue to become a party political football would be a negation of statesmanship. Many of our education problems derive from the abandonment of the broad agreement on education that used to exist between the parties. It is sad for our children that that is not true today."
“In social security we deal with the lives and needs of individuals and families. It is our duty to make not only the best provision, but to provide a simple, understandable and stable system which is not subject to constant change as a result of any war between political parties. The British people deserve better than that.

“My final recommendation is that the so-called basic income approach should be taken seriously. That is the most hopeful way forward. A basic income approach or any other approach is not a panacea. There is no panacea. I shall not detain the House by describing the basic income system, with which many hon. Members are familiar. However, the system is simple to understand and to administer. It deals with the poverty and unemployment traps. It alleviates and prevents poverty. It encourages positive social values and provides an incentive to earn. The system’s problem is its cost. If, under careful examination, it is discovered to be too expensive, even a partial basic income scheme would be a huge improvement in modern circumstances.”

REALISTIC RADICALISM: A THEOLOGICAL VIEWPOINT

MALCOLM TORRY

The “basic income” idea has been around for a long time, and its economic, sociological and political implications have often been debated. But what does Christian theology have to offer to the debate about basic incomes?

First and foremost, it can offer what Jesus had to say about the Kingdom of God. There is considerable uncertainty about the precise meaning of Jesus’ words: did he mean that the Kingdom of God would emerge gradually as part of a continuing historical process? Or did he mean the end of our history and the beginning of a new order? Either way, there is enough evidence in the New Testament for us to be able to form a coherent picture of this Kingdom of God.

Jesus always refused to make distinctions between different classes in society: hence his meals with the “tax collectors and outcasts”. His story of the vineyard workers who received equal pay for unequal work suggests a generosity towards a community in which livelihood was not tied to achievement. Jesus’ respect for the poor, for women and for the sick and disabled, at a time when they were social inferiors, suggests a community based on a citizen ethic rather than a work ethic. And his picture of the Kingdom of God as a banquet, as well as his enjoyment of parties, reveals a vision of a wealthy and celebrating community.

The details of this vision are properly a matter for debate. Nevertheless, Jesus clearly hoped for a Kingdom of God of a corporate nature, and he expected to see it emerging in the course of human history, involving us in as potential participants. The parables of the lost sheep, of the lost coin, and of the father who waits for his prodigal son, bear witness to this.

Whether or not we choose to call ourselves Christians, we are all invited by Jesus of Nazareth to create in our world new forms of living together, which will enable us to hope for the coming of the Kingdom of God, and which will act as signposts to that Kingdom.

A “CHANGE OF MIND”

The Gospel-writer records Jesus asking us to “change our minds”. This is the literal reading of the Greek word usually translated as “repent”.

Certainly we are in need of a “change of mind”, for we have become slaves to human artefacts which were once our servants. The human community is now dominated by an abstract means of exchange called money. Money and the behaviour of money determine social structures and the use we make of natural and human resources. The former are used to excess, while the latter lie fallow, and all in the name of profit, or money. The human race has suffered ignominious defeat at the hands of its own invention.

Even the words we use have been hijacked by money. “Wealth” once meant “well-being”. It now means money. The word “economy” stems from the Greek word for house or household, and once had a meaning akin to “social policy”. Now it refers to the behaviour of money. None of this is to denigrate the usefulness of money. Its invention has enabled countless millions to experience a more satisfying life. It has made cultural exchange and invention possible.

But if we are to be rescued into a society which reflects the Kingdom of God, then money must be our servant, not our master. Money must be the servant of wealth. We, with James Robertson, must “question the idea of ‘wealth’ as something created by manufacturers of cigarettes and sweets, but not by doctors and dentists; created by bankers and commercial lawyers, but not by housewives and social workers; created by agribusiness, but not by the people working their smallholdings, allotments and gardens; created by advertising agencies, but not by schools; created by the arts trade, but not by the peace people. Is it a law of nature that compels us to make more and more things, including many that are harmful or useless, before we can attend to the needs of people?”

COMPLEXITY

To know that our society is not much of a signpost towards the Kingdom of God is one thing. But to do something about it is another. For the United Kingdom is a member of a complex world of nations, and these are global problems. Our social and financial structures are the result of thousands of years of development. Often their complexity produces a paralysis of the imagination and a “politics of tinkering” which leads, for instance, to social security systems so incomprehensible that even the experts do not understand them.
However, according to Peter Selby, the new Bishop of Kingston, we are still responsible:

"The buck stops with the human race, not because we chose to take all power to ourselves in some majestic act of pride but because, under the impact of our own steadily growing capacities to explore, to understand and then to conquer, there was nowhere else to go. We went gradually forward, our speed of movement increasing, until one day we woke up and it was so: we were here with voice and vote on the committee of millions who will decide whether there is to be a next generation and what it will be like to belong to it."

REALISTIC RADICALISM

The Christian faith offers hope of a Kingdom of God, even though it remains beyond our grasp, even though we can only hint at its character, even though we cannot guess the method of its coming. Our faith demands that we prepare a way for it, even in a complex world which exhibits many characteristics that are inimical to it. What we need therefore is a realistic radicalism – both feasible in today’s society and yet pointing towards a future for which we can only hope.

BASIC INCOMES: SIGNPOST TO THE KINGDOM OF GOD

The reason I advocate a social dividend or basic income approach to the reform of tax and benefits is that it offers an opportunity to create a 'signpost' to the Kingdom of God.

It is radical. It does capture the spirit of the Kingdom of God, which Jesus lived and proclaimed. It would mean the foundation of a society in which we receive and are valued before we respond. It would create of us ‘one nation’. It would be a signpost to a society in which all are free and different, but fundamentally equal. It would point the way towards a compassionate society in which wealth could come to mean well-being once more, and in which all would share in that wealth.

The basic income approach is also realistic. It recognises that we frequently require incentives to make work. It increases the financial incentives for men and women to seek paid employment. It makes it more possible for industry to be efficient because it restores flexibility to the labour market. It is realistic because it follows naturally from our historical traditions, and because we can undertake it even while we are still enmeshed in the current global behaviour patterns of money.

It is also realistic because it recognises that without a positive vision of the kind of society we want (whether or not we choose this particular vision) there is no basis for a coherent social and economic strategy except that of the righting of grievances.

And it is particularly realistic in that it might lead us to new insights about the true value of money, as a means of wealth distribution and as a tool of social policy. For to introduce a social dividend would be to teach us that money is our servant, to use as we see fit, as a tool, albeit an important one, for the creation of a human community.

The introduction of a social dividend would not be the coming of the Kingdom of God. But it would be a signpost towards it. It would give hope for a society in which human beings would be valued, responsible and free. It would show that the radical is possible and that idealism can be realistic.


Malcolm Torry is at present working with the South London Industrial Mission.
BOOKS RECEIVED


BIRG SEMINARS

The following seminars will take place from 2.00 to 5.00 pm in the Adams Room at NCVO, 43 Bedford Square. Please note the change of time. All Bulletin subscribers are automatically invited:-

The work ethic: Friday 2nd May 1986

The costs of working: Friday 27th June 1986

Basic pensions: Friday 10th October 1986

Family budgets: Friday 5th December 1986

NATIONAL CONFERENCE ON BASIC INCOMES

There will be an all day conference for BIRG subscribers and NCVO member organisations next autumn. Full details will be included in Bulletin No 6
BASIC INCOME RESEARCH GROUP

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