Citizen's Income *newsletter*

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Citizen's Income Newsletter
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Editorial

We still occasionally hear the term 'third way', meaning something like a middle course between public provision of education, income maintenance, health care and other necessities and private provision of the same. But what the term 'third way' cannot express is the necessity of public provision of the fundamental necessities which only public provision can properly provide, the necessity of private provision of those non-essential goods which people might or might not choose to possess if they have the means, and the necessity of hybrid provision of that large range of goods between the absolutely necessary and the not necessary.

What we need is 'three ways', not a 'third way'.

This could not be clearer than in the provision of pensions. There is a minimum standard of living to which society as a whole believes elderly people are entitled. Beyond this there is a standard of living to which people have legitimately become accustomed by virtue of their earnings. And beyond this there are plans which people have developed for their retirement. The first, being a necessity, is best provided by a state pension (and since it is a necessity, is probably best provided by a universal non-withdrawable flat-rate pension, a 'citizen's pension'). The second is best provided by an employer's pension scheme or similar. And the third by private provision in the pensions market.

And if 'the three ways' is the right way to go about provision of retirement income, then maybe it's the right way to go about the provision of income throughout the rest of adult life.

News

Further support for a Citizen's Pension

In 2002 the National Association of Pension Funds, in their publication *Pensions – Plain and Simple*, recommended a Citizen's Pension: a universal, non-withdrawable flat-rate pension worth 22% of average earnings, rising in line with earnings. (Beyond that people would be encouraged to make their own provision for retirement income through employer schemes and private pensions.) [1] And now the Pensions Policy Institute has suggested that "a Citizen's Pension of around 22-25% of national average earnings is a possible model for the UK." [2]

The Pensions Policy Institute was launched in 2002 as an organisation independent of government in order to analyse and publish information about current and future pension provision in order to inform future pensions policy. The Institute is currently undertaking a research project on the state pension scheme, and the first publication relating to this project was a discussion paper, *State Pension Reform: The Consultation Response*, which reports on a consultation designed to formulate criteria for a state pension scheme. It found consensus that the current system is too complex, and that "state pensions are getting worse because of the increasing extent of means-testing." [3] The report concludes that the most important features of a future state pension scheme are sustainability and simplicity, and it also offers a list of ten criteria for a state pension scheme:

1. Sustainability
2. Poverty risk minimised
3. Affordable now
4. Affordable long-term
5. Robust to life expectancy trends
6. Fair
7. Simple
8. Does not disadvantage the oldest pensioners
9. Enables saving
10. Transition is simple. [4]

Of the options on which opinion was sought, the most widespread support was for a Citizen's Pension or for scrapping the state second pension and increasing the Basic State Pension. [5]

The second report has now been published: *Citizen's Pension: Lessons from New Zealand.* [6] New Zealand has had a Citizen's Pension for 65 years, and the report draws lessons from this experience and concludes that a Citizen's Pension passes all of the tests outlined above and that "there could be significant advantages compared to the current pension system from adopting a Citizen's Pension in the UK, and it appears practically and economically feasible. It should be investigated further." [7]

As Alison O'Connell, the Institute's Director and author of the report, says: "A Citizen's Pension set at the Guarantee Credit level would not only be economically viable but would also ensure that pensioners are guaranteed a minimum level of income without the need for extensive means-testing. It would be simple, and cheap to run. It could be introduced overnight and then sustained well into the future. We haven't answered all the questions yet, but there appears to be no 'show-stopper' against the Citizen's Pension. We are at a crossroads in pension policy. We could carry on making more changes to the unsatisfactory current pension system. But there is a growing realisation that a significant change to a Citizen's Pension could be good for today's *and* tomorrow's senior citizens." [8]

The Pensions Policy Institute is at King's College, Waterloo Bridge Wing, Franklin Wilkins Building, Waterloo Road, London SE1 9NN, tel. 020 7848 3751, email: Alison@pensionspolicyinstitute.org.uk, website: www.pensionspolicyinstitute.org.uk.

The National Association of Pension Funds is at www.napf.co.uk.

Notes

1. National Association of Pension Funds, *Pensions – Plain and Simple* (London: National Association of Pension Funds, 2002).

2. Alison O'Connell, *Citizen's Pension: Lesson's from New Zealand* (London: Pensions Policy Institute, 2004), p.3.

3. Alison O'Connell, *State Pension Reform: The Consultation Response* (London: Pensions Policy Institute, 2004), p.3.

4. Alison O'Connell, *State Pension Reform*, pp.3, 13

5. Alison O'Connell, *State Pension Reform*, p.3

6. Alison O'Connell, *Citizen's Pension*.

7. Alison O'Connell, *Citizen's Pension*, p.3

8. Press release, Pensions Policy Institute, 10th March 2004

Main article

The Blue Book: Taxes, transfers and government expenditure

by Anne Miller

The purpose of this short article is pedagogical, to introduce those not already familiar with 'The Blue Book' to its fascinating figures, and, more importantly, to point out what is concealed.

The 'Blue Book' is the popular name for the *United Kingdom National Accounts* published annually by the Office of National Statistics (ONS). It is an expensive publication at around £40, but it appears on library shelves around September or October. It contains runs of 9 years of data, or in some tables 18 years, ending with the previous year. Thus the 2003 edition contains series of annual data for 1994 to 2002, or in some tables 1985 to 2002 inclusive.

The data series can also be accessed through the internet address www.statistics.gov.uk. Look for 'Quick Links' at the bottom left of the home page, click on the 'Time Series Data'; look for 'Navigation' and click on 'Access individual series'; look for 'Titles' and click on 'Blue Book'. One can access a time series of annual data going back to 1948 in some cases.

The national accounts give details of income, expenditure and net products of industries. The accounts are given for the whole economy and for the main sectors of the economy: personal sector, company sectors, public sector (central and local government) and a rest of the world sector.

Table 1 gives figures for the year 2002 of Gross Domestic Product, GDP, (£1,043,945m) and Gross National Income, GNI or GNP, (£1,063,090m) both at current market prices. The difference between the two (national and domestic) figures is accounted for by various small components, which together may be called 'net income from abroad'. These measures of economic activity are used to monitor the economic well-being of the nation, although it is recognised that they contain major flaws for this purpose. There are three different ways in which they can be calculated, a) by calculating the value added to components which create economic output, b) by calculating all the expenditures of all sectors in the economy, and c) by adding up all the incomes of all sectors of the economy. One column of the table is headed REF and contains a very useful four letter indicator, which enables one to trace the same series through several different tables or publications.

TABLE 1. SOME FIGURES FOR 2002

Blue book TABLE	**Blue book REF**		
1.2	**YBHA**	**GDP at current market prices (output approach)**	**£ 1 043 945m**
1.2	ABMX	Gross National Income at current market prices	£ 1 063 090m
			Thousands
1.5	**DYAY**	**Home population**	**59 207**
		Population under 16	12 824
		Household population aged 16 +	
1.5	MGRQ	Self-employed	3 124
1.5	MGRN	Employees	24 339
1.5	MGRZ	Total employment *	27 659
1.5	MGSC	Unemployed	1 524
1.5	MGSF	All economically active population	29 183
1.5	MGSI	Economically inactive population	17 199
1.5	MGSL	Total	46 383
1.5	**IHXT**	**GDP at current market prices per head**	**£ 17 632**

* This includes people on government-supported training and employment programmes and unpaid family workers.

Source: United Kingdom National Accounts, 2003 edition

No figure tells us much in isolation. Another figure is required with which to compare it - the comparable figure from a previous time period to see if fortunes have increased or decreased in the meantime, or a figure from another country in comparable units, for instance. In this case, the figure for comparison with GDP is the total population, which yields series IHXT, GDP per head, giving a figure of £17,632 for 2002. It is much easier to grasp the concept of £17,632 per head, than of £1,000,000m for an economy.

This figure of £17,632 per head of population of man, woman and child is quite revealing. It is an average figure for the whole UK, and, it implies that, if GDP had been distributed evenly over the population, then a family of four (mum, dad and two children) would have received a gross income (before tax or benefits) of £70,528 in 2002. Given that most children do not have a gross income of their own, maybe it is more appropriate to divide GDP by the population who are aged 16 and over, giving an average figure of £22,507 per adult. But some of these are ‘economically inactive’, such as students, carers, unemployed and retired people. Whilst a significant proportion of retired people are in receipt of an occupational pension, and have unearned income, a sizeable proportion, mainly women, are still entirely dependent on their DSS pension. According to *The Monthly Digest of Statistics*, also compiled by the ONS (online. Table 4.1, series BDAE), the number of retired people in Great Britain in receipt of a National Insurance retirement pension in September 2002 was 10,288,000. Let us assume that about half of these also have other income.

The figure of GDP divided by the employed and self-employed population (27.659m) together with half of the GB retired population assumed to be in receipt of other gross income (5.144m), gives an average gross income of £31,825, which gives a clearer indication of the amount of wealth generated in the UK society. For any skewed distribution, as of the distribution of income for instance, the *mode* (or most frequently occurring value), the *median* (the value where half of the observations are less than the median and half are greater), and the average or *mean*, occur in this reverse alphabetical order, and, as a rough rule of thumb, the difference between the values of the mode and the mean is about three times the difference between the median and the mean. All this goes to show that there must be many gross incomes in excess of £31,825. It is significant that the Blue Book used to publish a ‘Gini coefficient’ which gave an indication of the degree of inequality of gross income in the UK, and this practice was dropped in the mid 1980s, presumably to avoid drawing attention to the increasing inequality in the population, and the practice has not been resumed under new Labour, presumably for similar reasons.

TABLE 2. UK TAXES, TRANSFERS AND GOVERNMENT EXPENDITURE IN 2002
Ref: BLUE BOOK, edition 2003, Tables T.11.1, T.11.2, T.5.2.4S and T.5.3.4.S £ million

TAXES PAID by UK RESIDENTS (T.11.1). GENERAL GOVERNMENT OUTLAYS

REF				REF		
	TAXES ON INCOME AND WEALTH				**SOCIAL PROTECTION, including workers’ salaries**	
				ADAL	Total social assistance	
DRWH	Household income taxes	109 399			benefits in cash (local govt.)	12 969
				QYRJ	Total soc sec bens in cash	56 656
NMDE	**NI** Self employed	2 146			Total soc assist bens in cash	
GCSE	**NI** Employees	25 543		NZGO	(central government)	54 688
		137 088			Total social benefits in cash	124 313
	Tax expenditures	c.120 000			Other (local & central govt.)	16 554
	Total (potential)	c.250 000		NNAD	Social benefits	140 867
					Other (central government)	23 304
				QYXB	Total social protection	164 171
CEAN	**NI** Employers	35 683				
	OTHER TAXES ON INCOME & WEALTH					
DBHA	Petroleum revenue tax	946				
BMNX	Other corporate taxes	32 160				
CDDZ	Motor vehicle duty (domest)	2 666				
NMIS	Council tax, etc. (local government)	16 412				
	Other taxes on income	1 208				
	↓	53 392				

	TOTAL TAXES ON PRODUCTION AND IMPORTS			**GENERAL GOVERNMENT EXPENDITURE**	
NZGF	**V.A.T.** to central govt	69 394			
GTAM	Beer	2 934	QYXA	Health	66 972
GTAN	Wines, etc	4 332	QYWZ	Education	53 328
GTAO	Tobacco	7 947	QYWX	Defence	27 672
GTAP	Hydrocarbon oils	22 070	QVEU	Economic affairs	26 566
CUKY	National non-dom rates	16 606			
GTBC	Stamp duties	7 436	QYWW	General public services	23 511
	Other	14 661	QYWY	Public order and safety	21 976
		145380			
NMBY	Paid to central govt	140 479	QYXD	Housing	6 772
NMYH	Paid to local govt	149	QYXC	Recreation, culture	5 593
FJWB	Paid to the EU	4 752	QYXE	Environmental protection	5 941
NZGX	Total	145 380			
NMGI	**CAPITAL TAXES**	2 386			
				TOTAL	238 331
	TOTAL TAXES in this box	236 841			
	TOTAL TAXES AND COMPULSORY SOCIAL CONTRIBUTIONS			**TOTAL GOVERNMENT OUTLAYS**	
			QYXB	Social Protection	164 171
	Paid:			Government Expenditure	238 331
GCSS	to central government	352 616	NMYX	Other	21 206
GCST	to local government	16 561	QYXI	Total outlays	423 708
FJWB	to the EU	4 752			
GCSU	Total	373 929			
GDWM	Total as % of GDP	35.8%			

We now move on to examine the sources of government revenues from taxation, in Table 2. I have started with taxes on personal income. Household income taxes account for £109,399m. Many people are surprised that the yield from income tax is so low. £109,399m. is barely 10.5% of GDP. Even making heroic assumptions about every adult having enough income to cover the personal allowances (0.25 of £4,545 for the 2001-02 tax year, plus 0.75 of £4,615 for the 2002-03 tax year) and enough to pay 10% on their next tranche of income (0.25 of £1880 and 0.75 of £1920), would yield £8,859 m taxes on incomes of £301,721m. Income tax at 22% on the remainder of the GDP should yield £163,289 m, and this ignores tax revenues from higher income tax rates of 40% on incomes of about £34,370 and over. The 10% and 22% rates of income tax would together yield some £172,148m. instead of £109,399m.

Some of the difference can be explained by allowable deductions from income, such as the necessary expenses outlaid in order to generate the income. However, the bulk of it can be explained by 'Tax Expenditures'. These are the tax breaks given to the better-off half of society (such as paying only a notional 10% tax on dividends and only 20% tax on bank and building society interest), which are not published by the ONS, but are estimated by some sources to be in the region of £120,000m. This is of the same order of magnitude as 'Total social benefits in cash', the sum (ADAL + QYRJ + NZGO) totalling £124,313m., the details of which are given on the right hand side of Table 2 above. There tends to be much fuss in the press about the amount of visible cash benefits going to the poorer sections of society, but hardly a whisper about the hidden Tax Expenditures of equal magnitude subsidising the better-off sections of society. One of the effects of this policy is that it reduces the tax base, and increases the tax rate from what it might otherwise have been, for those who pay the tax.

Income tax revenues (the largest single source of tax), together with 'National Insurance contributions by self-employed and employed people' (which are little different from income tax revenues, and so can be added to them), gave a total of £137,088m., and accounted for only about 37% of the total tax revenue of £373,929m. (GCSU) in 2002. So, where does the rest of the revenue come from? The next largest item of tax revenue is from Value Added Tax (NZGF) at £69,394m. Other taxes on production and imports (including taxes on hydrocarbon oils and national non-domestic rates) together yielded £75,986 m. These two items, together accounting for 'Total taxes on Production & Imports' (NZGX) yield £145,380m, which represents 39% of total tax revenue. 'Employers' National Insurance contributions' account for £35,683m. and other corporate taxes £32,160m. Many people are surprised at how relatively little Council Tax accounts for at £16,412m, given how painful a tax it feels. Similarly, capital taxes, such as Capital Gains Tax, have a typically low yield. One can only conclude that they are relatively easy to avoid legally.

When considering what governments do with the tax revenues raised it is important to distinguish between 'transfers' between different sections of society, and 'expenditure' spent by the government on goods and services on behalf of the public. 'Expenditure' is clearly laid out in Table 11.2 of the Blue Book, and is reproduced in the right hand column of Table 2 above. There are two main points to make here. One is that in 2002 the total of government expenditure at £238,331m. is of roughly the same order of magnitude as 'Tax revenue other than that from personal income tax' at £236,841m. Government Expenditure represents nearly 23% of GDP. The second point is to identify the largest components of the expenditure. By far the largest two of all are 'Health' representing 28% of all government expenditure, closely followed by 'Education' representing 22%. The other main items are 'Defence' 12%, 'Economic Affairs' 11%, 'General Public Services' 10%, and 'Public Order and Safety' 9% of government expenditure (£238,331m.)

Before leaving Table 2, it is worth noticing that Table T.11.2 of the *Blue Book* has a general heading of Social Protection, of which only £124,313m. of the £164,171m. total represents social benefits in cash. The other quarter covers some workers' salaries, some unfunded pensions including those of the fire and police services, and other unspecified (presumably administrative) costs. It is not easy to sort out these merely from the *Blue Book* tables; other information is needed. Another mystery item is the ambiguous component from Table 11.2, headed '*Expenditure* not classified by division', with the sub-heading 'Property *income*' (NMYX). This would not matter too much, but it is a large item of some £21,206m of government expenditure. This just serves to illustrate the fact that the tables can be both fascinating and frustrating.

Finally, Table 3 gives a more detailed breakdown of Social Benefits financed by central and local governments. The main breakdown is into National Insurance benefits, based on contribution records, and Social Assistance benefits, based mainly on means-tested benefits and administered by both central and local government. Social Assistance will include the ever-popular Child Benefit, but it is not clearly flagged in this table. It is probably subsumed in 'Family benefits' (CSDB). It can be seen that the largest single item of social benefits by far is the cost of 'Retirement pensions' (CSDG) at £43,985m. This is followed by 'Other social security benefits' (CSDC) £16,975m and 'Income Support' (CSDE) £14,439m. 'Rent rebates and allowances' (CTML + GCSR) together add up to £12,081m. The next largest items are 'Family benefits', 'Other grants to households', 'Incapacity benefit' and 'Income tax credits and reliefs', each costing over £6,000m.

It is anticipated that a Citizen's Income scheme could simplify these payments into Citizen's Incomes (for adults, children and older citizens) and costs of disability (including expenses due to disability, mobility and care), and probably there will need to be a housing benefit scheme to cope with continuing large differences in housing costs between different areas.

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TABLE 3. SOCIAL BENEFITS, 2002

Ref: Blue Book, 2003 edition, Tables T.5.2.4S, T.5.3.4S and T.11.2 £ million

	SOCIAL BENEFITS, CENTRAL GOVERNMENT		
	Social security benefits in cash		
	National insurance fund		
CSDG	Retirement pensions	43 985	
CSDH	Widows' and guardians' allowances	1 096	
CJTJ	Jobseeker's allowance	512	
CUNL	Incapacity benefit	6 754	
CSDL	Maternity benefit	66	
CSDQ	Statutory sick pay	32	
GTKZ	Statutory maternity pay	715	
ACHH	**Total national insurance fund benefits**		**53 160**
GTKN	Redundancy fund benefits	235	
GTLQ	Social fund benefit	1 923	
FJVZ	Benefits paid to overseas residents	1 338	
			3 496
QYRJ	**Total social security benefits in cash**		**56 656**
QYJT	**Total unfunded pensions & employee social benefits**		**13 837**
	Social assistance benefits in cash		
CSDD	War pensions and allowances	1 173	
CSDB	Family benefits	8 906	
CSDE	Income support	14 439	
CSDC	Other social security benefits	16 975	
NZGI	Other grants to households	6 807	
RYCQ	Income tax credits and reliefs	6 338	
RNNF	Benefits paid to overseas residents in cash	50	
NZGO	**Total social assistance benefits in cash**		**54 688**
NMDR	**TOTAL SOCIAL BENEFITS (CENTRAL GOVERNMENT)**		**125 181**
	SOCIAL BENEFITS, LOCAL GOVERNMENT		
GCMO	Total unfunded employee social benefits		2 717
	Social assistance benefits in cash		
GCSI	Student grants	884	
CTML	Rent rebates	5 237	
GCSR	Rent allowances	6 844	
ZYHZ	Other transfers	4	
ADAL	Total social assistance benefits in cash		12 969
NSMN	**Total social benefits, Local government**		**15 686**
NNAD	**TOTAL SOCIAL BENEFITS other than social transfers in kind**		**140 867**

Reviews

Brian E. Dollery and Joe L. Wallis, *The Political Economy of the Voluntary Sector: A Reappraisal of the Comparative Institutional Advantage of Voluntary Organizations*, Edward Elgar, 2003, 208pp, hardback, 1 84064 793 0, £49.95

Voluntary organisations are those which are neither in the private (for profit) sector nor in the public (governmental) sector; but, as the authors recognise, this is a somewhat negative definition and it tends to mask the diversity of the category we call ‘voluntary organisations’. But a book like this has to start somewhere, and this one starts by recognising that voluntary organisations are a rational response to market failure and government failure in the provision of welfare.

The positive work begins with an understanding of the importance of altruism and ideological entrepreneurship as causes of the formation and survival of voluntary organisations (and of nonmarket failure and voluntary failure as causes of their demise). Appropriate leadership (an issue which the authors recognise has been largely neglected by economists) is shown to be essential to the success of voluntary organisations, and voluntary organisations are shown to be generators of social capital and thus of economic growth. Different ways of understanding the relationship between government and voluntary organisations are discussed, and ways in which government policy can enhance or diminish voluntary sector activity are listed. The final chapter returns to the importance of appropriate leadership both for organisations and in the policy field.

By posing the questions which economists might ask as they study the voluntary sector the authors have produced an innovative and useful piece of work which will contribute to the now considerable literature on voluntary organisations *and* to the current debate on how the welfare state should be reformed.

What’s needed now is a broader perspective. The public policy which this book discusses relates mainly to direct relationships between the government (or local government) and voluntary organisations, though there is also a recognition that if voluntary organisations are already operating in a welfare field then for the government to spend additional money on its own services in that field might reduce the voluntary sector’s contribution, and thus reduce total provision. Just as important is the fiscal framework within which voluntary organisations operate. For instance: people on Job Seeker’s Allowance are currently allowed to do voluntary work for part of the week. If they were forbidden to do so then voluntary organisations would have less to contribute to social capital and less to economic growth. If even a small Citizen’s Income were to be paid to every citizen then more voluntary labour would be available and voluntary organisations would release public funds from a variety of welfare fields and would thus contribute to economic growth. The wider context matters.

But maybe that’s for another book. As it is, this is an innovative contribution to what will continue to be an important debate.

Clive Lord, *A Citizen’s Income: a foundation for a sustainable world*, John Carpenter, 2003, £8.99, pb, vii + 153pp, ISBN 1 897766 87 4

The title suggests that this is a book about the Citizen’s Income route to tax and benefits reform; but what the book is *actually* about is the danger to the planet and ourselves of our current consumption patterns. It is a manifesto about the environment within which a Citizen’s Income plays an important role. Or does it ?

The fundamental difficulty we face is the ‘tragedy of the commons’. On a pasture open to all, each herdsman maximises his gain, and he can add to his utility (providing the pasture is still viable) by introducing an additional animal. Net gain to the herdsman, one animal grazing. The effects of overgrazing are shared by all of the herdsmen, so any disutility to the individual herdsman is a fraction of one animal grazing, thus giving the herdsman a net gain in utility. Every herdsman acts rationally by adding animals, and ultimately the pasture is ruined.

The author lists real-life examples of the tragedy of the commons: a particularly graphic example being Easter Island, where the population cut down the trees to build canoes and to make rollers for their stone statues and thus deprived themselves of the ability to build canoes and go fishing. They descended into cannibalism. But this isn’t the only way to organise a society, and Lord introduces us to the Siane of New Guinea, a people who divide goods into three groups: food is shared equally; there is a free market in luxury goods; and ceremonial goods are politically allocated. A Citizen’s Income is recommended as today’s equivalent of the Siane’s equal sharing of food, and the object of the strategy is the same: to give to everyone a sense of security, thus making it easier to adopt a less consumerist attitude.

As Lord correctly points out, there is already a good deal of redistribution of income. The problem is that the cost is borne by the poorest because they suffer high withdrawal rates as income rises: their effective tax rates are far higher than those experienced by the wealthiest. A Citizen’s Income would right this wrong. He goes on to discuss possible labour-market consequences of a Citizen’s Income and to discuss some of the questions which might be asked about these consequences. But instead of turning to questions of environmental politics, as he then does, he might have given some consideration to questions relating to other possible economic effects of a Citizen’s Income. Yes, a greater sense of security might tend to reduce economic growth; but it might also tend to increase it as a Citizen’s Income gave people a greater incentive to risk new resource-consuming economic activity. Also, because a Citizen’s Income would contribute to a more rational and a more flexible labour market, it might also make resource-consuming industry and commerce more efficient and thus lead to the kind of economic growth which Lord doesn’t want to see.

A Citizen’s Income would also, of course, enable more people to choose to spend their time on community-building and conservation activities, a possibility to which Lord could have given more attention. A Citizen’s Income would have many effects: a more efficient economy, greater freedom of choice for individuals, an increase in people’s ability to earn their way out of poverty. Its environmental credentials are more debatable, and Lord needs to show how the ‘sense of security’ which would result from a Citizen’s Income would in practice control economic growth and human greed.

What we have here is really two books: one on a Citizen’s Income, and another on the tragedy of the commons. To prevent ecological disaster there really is no alternative to international and national legislative action. A sizeable London-wide congestion charge and a substantial tax on air travel, amongst many other necessary measures, are what’s needed to conserve natural resources and protect the environment: not a Citizen’s Income, which might or might not help.

The social justice, individual freedom and economic efficiency arguments are quite sufficient support for a Citizen’s Income. Greens need to decide their verdict on those grounds, like everyone else. And maybe everyone else should take more seriously the tragedy of the commons and work for policies which would directly prevent environmental destruction.

Clive Lord has given us a well-researched book which raises some important issues. It’s at a reasonable price, and well worth buying.

But is it printed on recycled paper ?

Peter Whiteford, Michael Mendelson and Jane Millar, *Timing it right? Tax credits and how to respond to income changes*, Joseph Rowntree Foundation, York, 2003, 34pp, pb, 1 85935 109 3, £11.95.

In April 2003 the Child Tax Credit (for families with children) and the Working Tax Credit (for low-waged working people) were introduced. This report compares similar credits in Australia and Canada with the British experiment, and especially compares the ways in which the amounts of credit change as a person’s economic circumstances change. In this respect, those planning the British system do appear to have learnt some lessons from the earlier Canadian and Australian schemes, and the report commends the £2,500 disregard which attempts to ensure that overpayments don’t result in too much debt. It also commends the reclaiming of overpayments through reduced credits in the following year and adjustments of credit as changes in circumstances occur (if the claimant wishes) rather than the end of the year, as in Australia – a major source of over- and underpayments in that system.

The high responsiveness of the UK system results, of course, in a heavy administrative burden and in serious complexity, and this, and a related lack of transparency, is likely, according to the report, to result in low take-up rates. (It might have said more than it does about the way in which tax credits enable employers to know more of their employees’ business than they have ever known before: another reason for low take-up). Take-up rates for the previous Working Families Tax Credit, and now Working Tax Credit, have indeed been low, and we have heard recently of considerable administrative chaos. The Canadian system avoids such administrative problems by not making mid-year adjustments as families’ economic circumstances change – the result being that if earned income ceases or drops during the year, then means-tested benefits fill the gap and not an increased tax credit payment.

The major lesson which this report draws is that with tax credits there is always a trade-off between responsiveness and administrative simplicity. The same is of course true of all means-tested benefits (and, let's be honest, a tax credit *is* a means-tested benefit). As the researchers conclude:

> "Income testing can never be both simple and responsive in practice. There is always a trade-off between a simple system that does not reflect exactly the current circumstances of the recipient and a more complex system that adjusts to the detailed profile of a recipient's needs. The challenge is to decide when the trade-off is worthwhile. Should the UK instead have opted for the simplicity and efficiency of the Canadian approach at the expense of not responding to current needs? Is the UK courting a smaller version of the Australian difficulties by requiring people to pay back the government? Or has the UK found the optimal compromise between the two? The question for the UK is whether in so compromising it will have created a system that is reasonably acceptable to all, or whether instead it will fail fully to satisfy anyone" (p.27).

The Joseph Rowntree Foundation is to be commended on this report. The researchers had a clear and limited brief, the evidence and the argument are clear, and the conclusions are careful and relevant.

Sarah del Tufo and Lucy Gaster, *Evaluation of the Commission on Poverty, Participation and Power* (Joseph Rowntree Foundation, 2002).

The Commission on Poverty, Participation and Power was set up by the UK Coalition Against Poverty in 1999 to examine why people who experience poverty do not influence decision-making and policy. The Commission was made up of six people experiencing poverty, and six people in public life, and was served by a secretariat. It published its report, *Listen, Hear! The Right to be Heard*, in December 2000. The evaluation process ran alongside the commission's activity throughout, and the evaluation report is a valuable document in its own right.

Chapter 1 attempts to understand the commission's 'journey' and its significance, chapter 2 studies the history and objectives, chapter 3 asks how it was set up, chapter 4 describes how it did its work, chapter 5 examines the role of supporting staff, chapter 6 asks about follow-up, and chapter 7 contains a list of conclusions: mainly recommendations for anyone thinking of running a similar commission. Above all, the evaluators recommend that "there should be clarity of purpose and the process should be fit for the purpose" (p.83).

The commission was a unique project which produced a significant report and deeply affected the lives of those who took part, and the evaluation report will indeed be helpful to anyone running a similar project. If ever the Citizen's Income Trust is able to run a commission on the feasibility and desirability of a Citizen's Income then clearly people from all walks of life will need to be involved, and this report will be required reading for the commission's planners.

Asghar Zaidi and Tania Burchadt, *Comparing Incomes when Needs Differ: Equivalisation for the extra costs of disability in the UK,*

Centre for Analysis of Social Exclusion, London School of Economics, CASEpaper no. 64, 2003, xi + 35 pp., pb.

Income level does not translate in a linear fashion into standard of living. Public goods contribute to standard of living, and differences in household size and composition affect standard of living too. In relation to this latter factor, in social policy research incomes are generally 'equivalised', i.e., adjusted for household size: so that, for instance, income is multiplied by a number between 0 and 1 for a household with more than one person because economies of scale are assumed and the assumption is backed up by the data.

This paper deals with the additional costs related to disability, and the researchers discover that for a disabled person to obtain the same standard of living as someone not disabled a higher income is required, and that the more severe the disability the higher the increase in income needs to be in order to maintain the same standard of living. So to equivalise incomes they need to be multiplied by a number greater than 1. This suggests that if incomes for people with disabilities are much the same as those for people without disabilities then more people with disabilities will be in poverty – and the authors find that, with the poverty level set at 60% of median income, 61% of people with disabilities are in poverty as against 25% to 28% (depending on method) of the population as a whole.

Patrick Ring, ' "Risk" and UK Pension Reform', *Social Policy and Administration*, vol.37, no.1, February 2003, pp.65-81.

In this article Ring explores the meaning of 'risk' in the debate on the distribution of risks in pensions policy: the risk of the demographic time bomb; the risk of poverty; the risk to government finances; the risk of stock market fluctuations; and the risk to individuals of not understanding the complexity of pension provision. Risk is then understood in relation to the notion of security, and individuals' need to reduce risk suggests to the author that expecting people to take on the greater risks of private pension provision requires the security of State or employer provision.

An interesting discussion of the relationship between 'hazard' and 'risk' explores three options: that the 'real' hazard of poverty in retirement leads to a risk of not having saved enough to avoid poverty; that hazard is 'neutral' and risk socially-constructed, e.g., by a government which regards not saving for retirement as socially deviant; and that both hazard and risk are socially-constructed – which makes sense as only a sense of risk can define something as a hazard.

Ring concludes that, as State and employers' pension schemes crumble, and as private provision proves to be insecure, a debate deeper than the current one is required: a debate about the nature of retirement, the nature of work, and the meaning of 'decent income' - for only then can we decide together how the hazards are to be defined and thus what the risks are likely to be.

A fundamental problem discussed in the concluding section is that the abandonment of risk by employers and by the State has not been matched by the construction of strategies by individuals to enable them to absorb risks. Ring's point that there is no such thing as security is well taken. He also suggests that the knowledge brought to the debate by employers and investors is as important as that brought by actuaries, and that it is the *sources* of risk which we should be discussing, not just who accepts it.

This article brings some important theoretical concepts to an important debate. What is now required is policy options which take into account both this discussion and also a few of the now obvious realities: e.g., that employers are no longer going to accept a share of the risk. This means that whatever the perceived or constructed hazard, the risks are going to be shared between the individual and the State, so that what is needed is social policy which shares the risk equitably, enabling the State to take on a defined level of risk, a strategy which will itself encourage individuals to take on a degree of risk within a context of an underlying State-sponsored security.

Trevor Buck and Roger S. Smith (eds.), *Poor Relief or Poor Deal? The Social Fund, Safety Nets and Social Security*, Ashgate, Aldershot, 2003, 250 pp., hb., 0 7546 3335 7, £45.00.

The book opens with four chapters on the historical and political context. First comes a brief history of lump sum and emergency payments, from the Poor Law Amendment Act of 1834, through Exceptional Needs Payments and Single Payments, to the Social Fund of 1988. This is followed by a comparative chapter on Belgium's decentralised system of single payments (with its consequent arbitrariness). In the third chapter Gary Craig sees the Social Fund as "a formal, though tacit, acknowledgement that social assistance benefit levels are inadequate" (p.54), and (because loans from the fund have to be repaid) as a means of exacerbating poverty. Finally in this section Roger Smith, in a chapter on 'Politics, Social Justice and the Social Fund', sees a greater reliance on loans as a (not very successful) attempt at social inclusion – and the continuing existence of grants as a means of creating a class of people who will never be included.

Part 2 is about how the provision actually works. Roger Smith finds that "far from meeting need and promoting social inclusion, [the Social Fund's] administration and delivery work to compound feelings of dependency and inadequacy amongst those who seek help from the state when they are in difficulty" (p.101); Mike Rowe suggests that "if the outcome of an application can be ….. apparently random, it contributes to 'learned helplessness' in applicants" (p.116); Jacqueline Davidson compares Holland (where single payment administration is part of a 'welfare to work' strategy) and the UK (where it isn't); and Trevor Buck studies the decision review function of Social Fund administration and finds characteristics which might be useful if reform ever occurs.

The third section of the book is on 'Prospects for Reform'. Sharon Collard evaluates recent reforms of the loan scheme, and makes recommendations for further change; Beth Lakhani recommends a new system of grants for particular purposes to help the government to meet its targets for the reduction of child poverty; Anne Daguerre and Corinne Nativel discuss France's recent use of a residualist welfare model and its consequent convergence with the UK's system; and the editors contribute a final chapter summarising what they see as the important structural and administrative issues and suggesting criteria for reform: any new scheme must, in their view, be an "effective contribution to the alleviation of poverty" (p.212).

This book provides much useful information and much food for thought for anyone interested in the reform of benefits systems. Even substantial reform based on universal benefits will require residual means-tested benefits, and such provision will need to be implemented in such a way that its effects do not conflict with the aims of the reform. This well-researched book will help policy planners to achieve such an implementation.

Eileen Evason and Lynda Spence, 'Women and Pensions: Time for a Rethink', *Social Policy and Administration*, vol. 37, no.3, June 2003, pp.253-270.

This paper contributes to the current debate on pensions by reporting research amongst women in Northern Ireland. After a concise history of pension provision in the UK since the Second World War, the authors organise the results of focus group discussions (along with appropriate quotations) around the issues: 1. Who should provide retirement income ? 2. How much thought is given to retirement ? 3. Women's understanding of state provision; 4. The provision which women make; 5. Women's views on pensions; and 6. How women see the future of pension provision. In relation to this last topic, the majority of groups opted for a 'citizenship' basis for state pensions policy rather than a national insurance or years of employment basis.

The researchers make the obvious point that because the majority of pensioners are women, women's views on the direction of pensions policy ought to be taken seriously. The research shows that women's labour market experience makes stakeholder pensions an unattractive option, and that women exhibit a strong preference for the state to have the lead role and for the basis of provision to be a basic state pension based on citizenship (p.268). The authors suggest that the current erosion of the basic state pension and the expansion of means-testing are placing financial advisers in a difficult position "as they try to advise those intending to make very modest private provision and explain the interaction between such provision and the Minimum Income Guarantee. The Pension Credit [which has now replaced the Minimum Income Guarantee] will make the calculations and explanations more complex and over all of this there is the uncertainty about exactly what means-tested benefits will actually be in place in 20 years' time and the level of support they will provide" (p.269).

The *Citizen's Income Newsletter* reported in its third issue for 2002 that the National Association of Pension Funds would like to see a strengthened basic state pension based on citizenship; and our last edition reported on the Pensions Policy Institute's recent work on a Citizen's Pension. The authors of this paper believe that the pensions industry in general, trades unions, and voluntary and other groups representing pensioners, would prefer a simple citizenship-based state pension rather than more and more complex means-tested provision. Evason and Spence suggest that "it is essential that the needs and circumstances of women are central" (p.279) as pensions policy is debated. It is difficult to disagree with this. Currently the Secretary of State for Work and Pensions is a man, and so is the Minister of State for Pensions. It isn't until we get to Under-Secretary level that we find women in the Department for Work and Pensions. In the absence of women in the two most important posts, the least the posts' occupants could do would be to read this paper.