

# Citizen's Income

*newsletter*

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Citizen's Income Newsletter

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This issue of the newsletter edited by Malcolm Torry

The trustees would like to thank those of our readers who have responded so generously to the appeal for financial assistance contained in our last newsletter. The trust is now able to continue its work and to plan for the future.

Many organizations now operate entirely on the internet, without printed publications. The Citizen's Income Trust is considering using the internet as the chief means of disseminating its regular newsletter. (Printed copies of the internet version would be made available to anyone who does not have access to the internet). If you would like to comment on this suggested change, please write to the Trust's Director.

## Editorial

### The definition of a Citizen's Income

Inside the front cover of Bulletin no.7 (Spring 1988) we find the following definition: "A Basic Income Scheme would phase out as many reliefs and allowances against personal income tax, and as many existing state-financed cash benefits as practicable; and would replace them with a basic income paid automatically to each and every man, woman and child. Basic Income would enhance individual freedom, and would help to:

- prevent poverty
- end the poverty and unemployment traps
- reduce unemployment
- create a less divided society.'

In an article by Bill Jordan in the same issue we find this: "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. Its main purpose would be the prevention of poverty, as opposed to mere poverty relief" (p.3). He further defines a Basic Income in terms of adequacy, simplicity, equity and economic efficiency. The trust deed of the Basic Income Research Group (which later became the Citizen's Income Trust) similarly defines Basic Income Schemes "as schemes which guarantee to each and every man woman and child the unconditional right to an independent income."

There is clearly a conflict here, for either a Basic Income provides enough to live on or it doesn't; and there is an ambiguity, for to 'guarantee' to someone a particular income might mean that we aim to top up what they've already got to a particular level: that is, on this definition, the Basic Income could be a means-tested benefit. In the first definition there is no such ambiguity: the income is paid 'automatically' to each and every man, woman and child. In Bulletin no.8 (Autumn 1988) Tony Walter summarises the discussions which had led to the abandonment of the 'guarantee' terminology (terminology which had been employed since Sir Brandon Rhys Williams MP gave evidence in support of a 'Basic Income Guarantee' to the Treasury and Civil Service Committee Sub-committee on the structure of personal income taxation and income support on Wednesday 21<sup>st</sup> July 1982). The main reason for dropping the 'guarantee' language

was to ensure that a Basic Income would be understood as an equal payment made to every citizen, and to make sure that it could not be interpreted as a means-tested or needs-based payment. Walter is equally clear that the Basic Income being discussed would not meet everyone's basic living costs.

Also in issue no.8 Hermione Parker describes a 'Basic Income Guarantee' scheme which is in fact a negative income tax with everyone in the scheme: i.e., low earners and those not earning would receive a payment, and higher earners would pay tax. This could, of course, have the same effect as an equal cash payment to every individual, except that in a Pay As You Earn (PAYE) tax scheme the employer is involved in the administration of income tax and administrative complications would be bound to arise when someone left or entered employment.

So already we have encountered a variety of possible alternative definitions for a Basic Income or Citizen's Income:

- An equal payment to every citizen *or* the guarantee of a minimum income
- A payment sufficient to live on (somehow defined) *or* a payment not sufficient to live on
- A cash payment to every citizen *or* a negative income tax scheme to which everyone belongs.

At the Basic Income European Network's third conference in 1990 terminological confusion had made debate difficult, so in Bulletin no.12 (February 1991) Parker distinguished between 'work status benefits' and 'citizenship incomes', amongst which she listed Basic Income (BI), Social Dividend (SD) and Negative Income Tax (NIT). An American definition of NIT is used, which makes the family the assessment unit and the rules different for beneficiaries and taxpayers, thus clearly distinguishing NIT from BI. (A SD is defined in the same way as a BI except that it is funded by a windfall tax rather than by income tax).

Already 'Citizen's Income' was replacing 'Basic Income' in some circles as the normal term for an unconditional payment (because 'Citizen's Income' more clearly expresses what is intended); and then, in 1992, Tony Atkinson proposed a 'Participation Income': a sort of Citizen's Income payable to everyone participating in society by employment or by voluntary caring work. (See Bulletin no.16, July 1993). The Citizen's Income Trust's rough calculations showed that only about 1% of the population would not receive the Participation Income, but the consensus turned against calling it a Citizen's Income because of the conditionality associated with it and the

administrative difficulties which it would inevitably encounter (though in Bulletin no.17 (January 1994) Parker reproduced her 1991 chart with a Participation Income classified as a 'Citizen's Income' alongside NIT, SD and BI, and not as a work-based benefit).

Since then there has been no systematic discussion of definitions, but the revival of the ambiguous 'Basic Income Guarantee' terminology in the USA now makes such discussion essential; and such discussion really ought to begin with an exploration of the nature of definition, rather than with the thing defined, exploration which will now be aided by the work of Eleanor Rosch on the nature of definitions, categories and concepts. Rosch realised that to understand categories as absolute concepts does not match the real world (see her 'Reclaiming Concepts' in Walter J. Freeman and Rafael Núñez (eds.) *Reclaiming Cognition (Journal of Consciousness Studies*, vol.6, nos.11-12, 1999), pp.61-77). The category 'bird' contains robins, but it also contains ostriches which can't fly and it doesn't contain bats which can. So instead of listing characteristics which an entity has to possess in order to belong to a category, Rosch suggests that we build theory on practice and that we should choose prototypical members of categories and then decide how similar other entities are to these prototypes. In this way, categories can be structured rather than monochrome (that is, some creatures can be more bird-like than others: which they are) and category boundaries can be fuzzy (which they usually are).

My proposal is that we should regard an all-age Child Benefit (paid to the individual for adults) as the prototypical Citizen's Income. This means that the prototypical Citizen's Income is a universal, unconditional and automatic cash payment to every citizen. The definition is silent on the amount to be paid, thus leaving that issue entirely open; it makes it impossible to confuse a Negative Income Tax with a Citizen's Income; and it puts a Participation Income on the boundary of the category, as it does the family-based Citizen's Income proposed by Samuel Brittan and Steven Webb in their *Beyond the Welfare State* (Aberdeen University Press, 1990).

Debate on a Citizen's Income is going to remain an important contribution to the debate on reform of tax and benefits, at least until a Citizen's Income is established. One of the Citizen's Income Trust's contributions to that debate must surely be to ensure that discussion on reform options is carried out on the basis of definitions which are clear, comprehensible, and unambiguous.

## Events

### **United States Basic Income Guarantee conference, 8<sup>th</sup> to 9<sup>th</sup> March 2002**

About 75 people attended the two day event at one time or another. Mostly they were economists, political activists, sociologists, historians, law professors, social workers, film makers, graduate and undergraduate students and writers. Many of those present were in the thick of the fight for a guaranteed income in the late 60s and early 70s.

Guy Standing and Eduardo Suplicy were keynote speakers. About 36 papers were presented in 12 different sessions which drew about 15-20 people each. Several people spoke on the history of BIG in the US and the results of the Negative Income Tax experiments of the 70s. Other topics included "Funding a Basic Income," "Is Basic Income a Right?" "A Swedish-style Welfare State or a Basic Income; which is best?" Among the participants were Karl Widerquist, Stan Aronowitz, Fred Block, Robert Harris, Charles Clark, Anne Alstott, Harold Watts, Sally Lerner.

We discussed how to build on the event, and it is possible that papers will be published.

We plan to have a second USBIG Congress within two years and are currently looking for space and funding. USBIG has no formal structure, no formal membership, and no budget except for what we can raise for special events.

Further details of the event can be found at: [www.usbig.net](http://www.usbig.net).

Al Sheahen

### **A correspondence between Karl Widerquist and Malcolm Torry prior to the USBIG conference**

Malcolm,

I'm writing to answer your question from your newsletter. After your notice of the USBIG conference, you asked if we could clear up an ambiguity about the definition of BIG. BIG is a generic term for both nonmeans-tested and means-tested plans to ensure that everyone's income reaches a certain level. USBIG is designed to be a forum for supporters of both.

Karl

Karl,

Thanks. That's helpful.

The confusion arises because when 'Basic Income Guarantee' was first employed by Brandon Rhys Williams in the UK in a submission to a Parliamentary select committee the term meant (unambiguously) a universal and nonmeans-tested cash benefit. Our government, in relation to pensions, now uses 'Minimum income guarantee' to mean a means-tested payment to ensure that elderly people's income reaches a certain level. 'x income guarantee' is therefore a confusing group of terms, and some of us think it might be better to avoid the terminology and talk only of a 'citizen's income', i.e, a universal and nonwithdrawal cash payment, and 'means-tested benefits' meaning means-tested benefits. I hope the conference goes well.

Malcolm

Malcolm,

Thanks for the information. I knew that the term had been used in Britain some time ago, it came to the US via Sean Healey and Charley Clark. We felt free to redefine it a bit because it had been a little used term. We needed a term for both the so-called means-tested and non-means-tests plans because our membership includes supporters of both. BIG then was ideal because it recalls both basic income and the guaranteed income as the negative income tax was known in the US, and of course, it makes a good acronym.

I'm very excited about our first conference. I'll keep you posted on how it goes.

Karl

### **Social Security Policy Under New Labour: a conference held at the Institute for Fiscal Studies on Wednesday 22<sup>nd</sup> May**

After five years of Labour government the Institute for Fiscal Studies believed that it was time for a review of emerging trends, so organised a day conference on the 22<sup>nd</sup> May. About eighty people came, and the quality of the presentations and of the debate was high.

After Andrew Dilnot's opening remarks, Ed Miliband, of HM Treasury, listed the actions taken in the social security and taxation field by the government during the past five years: the New Deal, the Working Families Tax Credit (soon to be the Working Tax Credit), a Minimum Income Guarantee for pensioners, and a one-off increase in Child Benefit. Still to come are the Child Tax Credit and Pension Credit. One of the aims of this process is integration of tax and benefits, as the division is thought to be outdated and stigmatising, and for benefit to be received in the form of Tax Credits should mean less stigma, partly because more people will receive them than received Family Credit. Another aim is what Miliband called 'progressive universalism', by which he means means-tested rather than contributory benefits. He believes tax credits to be a break with the means-testing of the past, especially as the rules allow income to rise throughout the year without a change in the credit having to be made before the year end.

Of the other papers, Mark Brewer's discussed the different work incentives experienced by different groups; John Hills offered a summary of public opinion in relation to the incentives, the depth of poverty, and the levels of expenditure on particular benefits, and he described New Labour's approach as 'selective universalism and a patchwork assault on poverty'; James Sefton discussed optimal social security design, particularly in relation to pensions; Fran Bennett looked at gender implications of current reforms; Donald Hirsch explored the links between welfare reform and working hours; and Matthew Wakefield quantified the effects of recent reforms: 90% of families with children will be eligible for the Child Tax Credit, and 50% of pensioners for the pension credit; the new system is increasing incomes in the poorest deciles and decreasing them slightly in the wealthiest; and the main losers appear to be single- and two-earner couples without children. The verdict: the 'softer' means test represented by tax credits will reduce the administrative difficulties faced by claimants, and will thus reduce the stigma attached to means-tested benefits; but that, although marginal tax rates will certainly be reduced for some, many more people than before will find themselves subject to a means test.

Of particular interest to readers of this newsletter will be Lord Plant's presentation on citizenship, in which he distinguished between citizenship as status (granting rights to social security) and citizenship as achievement (where contributions earn benefits). No system conforms to either of these two ideal positions, and Lord Plant discussed the concept of a 'Participation Income' as the addition of an element of obligation to rights related to citizenship as status. In his view, New Labour's approach is partly at the 'citizenship as achievement' end (as there is an obligation to contribute through employment and taxation) and partly at the 'citizenship as status' end (as means-tested benefits fit this definition of citizenship); but with the

emphasis on work as the badge of citizenship, a recession will require the government to re-legitimise long-term benefits or to become the employer of last resort. The presentation contained an endorsement of the Citizen's Income approach to tax and benefit reform, for such an approach would provide an important element of citizenship as status to balance the present preoccupation with citizenship as achievement.

Our verdict: the government's aims are in the right area. It is important to reduce stigma, to increase incentives, to integrate tax and benefits, and to decrease poverty. Those policy initiatives which serve these ends are to be warmly welcomed. But sometimes the terms mask the reality. Tax credits are *not* an integration of tax and benefits, for the credit is calculated via a complex household needs- and means-test, whereas income tax is calculated on an individual basis and not in relation to need. Similarly, the government calls its approach 'progressive universalism', by which they mean means-tested benefits such as the Minimum Income Guarantee for pensioners. Child Benefit is a universal benefit, and it is progressive because it provides a higher proportion of the income of the poor than it does of the income of the rich. To use the same terminology for means-tested benefits does the debate about social security reform no favours.

The IFS are to be commended for holding such an excellent conference. We hope that the papers given at the conference will be published soon, and preferably together, to help all of us to arrive at informed and considered verdicts on social security policy under New Labour.

## **Future events**

### **Ninth Congress of the Basic Income European Network: Income Security as a Right**

#### **Thursday, September 12th:**

- *Pre Congress session: Income security in Switzerland*
- *Welcome by Geneva authorities and reception*

#### **Friday, September 13th:**



- Basic income as a right
- Is income security a human right?
- Assessing selectivity, including workfare
- Electronic income transfers: citizenship credit cards

**Saturday, September 14th:**

- *Calvin, Rousseau and Economic Security*
- LEGITIMISING BASIC INCOME POLITICALLY
- Highlights and reflections
- BIEN General Assembly

**Speakers will include:**

Anthony Atkinson, Edouard Dommen, Robert Holzman, Andràs November, Claus Offe, Ilona Ostner, Raymond Plant, Guy Standing, Eduardo Suplicy, Vivienne Taylor, Philippe Van Parijs

**Posters**

Posters presenting information in graphic and text form will be on display in the lobby outside the conference rooms throughout the Congress. Authors will be available to present and explain their posters between sessions.

**Workshops**

Parallel workshops, of which one will be in French with simultaneous interpretation into English, will be held after each session. They will provide an opportunity for participants to present their own work on income security (see over, Call for Papers) and to discuss their experiences.

Workshop themes will be determined in the light of papers submitted.

**Language of the Congress**

English and French, with simultaneous interpretation

## OUTLINE OF CONGRESS THEMES

### **Income security as a right**

This session will explore ways by which greater income security can be promoted in both developed and developing countries. Should a universal income floor be included among economic rights? Is that feasible and desirable? Should income security be provided through targeting or through constitutional or other guarantees?

### **Assessing selectivity**

Across the world, social protection policy has shifted away from universalism towards more complex forms of selectivity and targeting, with increased reliance on means-testing, behaviour-testing and other forms of conditionality. Questions addressed will be: do these policies lead to efficacy and equity? do they penalise some vulnerable groups, such as women? what, if any, forms of selectivity in social transfers are desirable? The session will consider arguments for reviving old and new forms of universalism.

### **Citizenship credit cards**

As countries move towards integrated tax-benefit systems, and as information technology advances, we are moving into an era in which electronic means of transfer are likely to become the norm. This session will present papers on this prospect. Are transfer cards feasible? Are they desirable? What forms of 'card' offer the best prospect of facilitating income security? Different examples of citizenship credit cards will be demonstrated throughout the Congress.

### **Legitimising basic income politically**

This session will confront one of the great challenges of the era, the apparent growth of much more stratified societies in which notions of social solidarity are under tremendous strain. Papers will address the fundamental question: Can basic income be legitimised and made appealing to enough people and social groups in highly stratified societies?

### **Pre-Congress session: Income security in Switzerland**

The host country for the Congress has achieved sustained economic growth and moderate levels of unemployment. However, significant poverty and economic insecurity exist. The session will

consider how well existing transfer schemes reach the poor, including the RMR developed in the canton of Geneva. It will also review the political debates around selectivity and universalism.

**Congress address:**

BIEN, IFP/SES, International Labour Office, 4 route des Morillons, 1211 Genève 22  
Tel. +41 22 799 6375; Fax +41 22 799 7123; E-mail: [bien@ilo.org](mailto:bien@ilo.org); Internet: [www.basicincome.org](http://www.basicincome.org)

## **Contribution to discussion**

### **'Basic income' could prove an escape route from the benefits trap**

**by Professor Patrick Minford**

The modern welfare state is a huge system of transfers from the better-off and the average to the needy - and now also to the not-so-needy whose incomes come right up to the average. Yes, tax credits now are received by family people with incomes as high as £20,000 a year.

For these people, the marginal rate of tax is about 70pc, because on top of ordinary taxes comes the means-tested claw-back of the tax credit at 37 pence for every extra pound earned. Such high marginal tax rates are now a serious drag on incentives to acquire new skills, essential for keeping people in work in the face of cut-throat competition from unskilled workers in poor countries.

The [Citizen's Income Trust] thinks this is stupid: the right way to help people is to give them a "basic income" independently of what they otherwise earn. The key advantage is that it does not raise recipients' marginal tax rates to these ludicrously high levels. The obvious disadvantage is that since the benefit is not means-tested it costs the taxpayer a great deal more. British governments have wrestled with this dilemma for as long as any of us can remember.

Before Gordon Brown, the Conservatives had decided, following the review in the 1980s by Norman Fowler, to concentrate benefits mainly on people with children and to means-test them strongly so that marginal tax rates were exceedingly high (close to 90pc) but only for people on rather low incomes: thus creating the "poverty trap". Benefits for those in work were designed to

give work incomes just a bit higher than unemployment benefits; hence there was also an "unemployment trap" in the sense that it was not really worth while to take a low-paid job.

On the other hand the tests for staying on unemployment benefits became steadily tougher, culminating in the Job Seeker's Allowance in the 1990s. This was intended to "force" people back to work, by simply denying benefits after a set period of time. The incentive to get work then becomes absolute, since there is no alternative.

The virtue of the Conservative system was that it got people back to work without having to bribe them; it then penalised skill-acquisition by very low-paid workers but these were relatively few in number (around half a million). Nevertheless, these workers, few or not, were the most vulnerable to repeated spells of unemployment as their low-wage jobs would be constantly eroded by competition. The problem was that this system left them with no incentive to change.

Gordon Brown came in determined both to relieve poverty and to "make work worthwhile". He retained the Conservatives' tough approach to unemployment, renaming it "no fifth option". He also raised working people's benefits (as "tax credits") by up to 10 per cent, holding unemployment benefits constant.

This alone guaranteed that he would bring many more people into benefit and therefore the poverty trap, even retaining the Conservatives' means-testing formula. But he went further and softened the means test, with the result we have seen above, that people right up to average incomes are now caught in a poverty trap. In fact the Budget Report admits that one and a half million will face "marginal rates over 60 per cent" (for which read 70 per cent or so). The cost of Brown's tax credits is also a billion pounds or so higher than the Conservative system.

What might a Basic Income (BI) look like today? A good starting point is the unemployment support rates, calibrated to support a family just above the poverty level. Now give families in work whose earners are on the minimum wage enough to reach these amounts - since family costs depend on the numbers of children, the BI could be given per child, just as child benefit is. No need to give them more since with "no fifth option" there is absolutely no need to bribe people back to work. The cost of enhanced child benefits would still be more than Gordon Brown's existing (£4 billion) system of tax credits - perhaps as much as 2 pence on the standard rate. Against this the family in work with BI would then face normal marginal tax rates - 30pc or so.

In a fully-employed economy with no fifth option the effect of such a small rise in tax rate on the average taxpayer's working behaviour is probably negligible; but the dramatic improvement in incentives, especially to train, at the bottom of the pay-scale could have a substantial effect on skills, productivity and urban prosperity. Tempting? Yes, but perhaps not practical when taxes are already rising, to be poured fruitlessly into the NHS black hole.

Nevertheless, over time as real wages rise relative to unemployment benefits and employment spreads within the household, the cost will fall. Meanwhile, one could go part of the way by switching some of the Brown credits into child benefit. The dependency culture afflicting our inner cities is caused by high marginal tax rates on honest effort and retraining, interacting with the untaxed gains from crime. Eliminating those high tax rates on our poorest citizens by moving further to a toughly-calibrated Basic Income would not cure dependency; but it would remove one of its key ingredients.

[This article first appeared in *The Daily Telegraph* on Monday 13<sup>th</sup> May. We are grateful to Professor Minford for permission to reprint it. You can read comments on this article at [www.btinternet.com/~patrick.minford/rep20020513.html](http://www.btinternet.com/~patrick.minford/rep20020513.html); you can comment on to [comment@patrickminford.com](mailto:comment@patrickminford.com); or you could write a letter to the editor of this *Newsletter*]

## News

During 2001 **Westminster City Council** commissioned research from Vision 21 on homelessness in the borough. The research found that 48% of people who sleep on the streets do not claim benefits.

The second report of the **All Party Parliamentary Group on Poverty**, *Poverty: behind the statistics*, issued last year, relates that during a meeting of the group in November 2000 participants stressed the need for the government to examine earnings disregards: 'Some people are not better off in work because of the Housing Benefit and Council Tax Benefit they lose, and the loss of free school meals.' In the follow-up letter to the Minister it was also stated that 'in spite of the Treasury and the DfEE's rhetoric on the quality of labour markets, real opportunities to move out of unemployment/the low pay-no pay cycle still do not exist for many participants of the APPG'; and that there was both a desperate need for affordable rented accommodation, and a

Housing Benefit system ‘that makes both taking a job and living in decent accommodation possible, rather than forcing people to choose between a low paid job or a decent home.’

The **Financial Services Authority** has published *Impact of an ageing population for the FSA* (January 2002), in which they state: “All of the younger consumers (aged 25-45) in the sample accepted that they should be taking responsibility for their own financial provision in retirement and that the state wouldn’t provide. This view was also shared by some of the pre-retired, but not by the older, retired generation. There was clearly a generation factor in play: many of those aged in their 60s and 70s had spent their working lives believing that the state would provide for them ‘from cradle to grave’, including in retirement. This left many feeling angry that the state pension had not been as generous as they had been led to believe. They also felt that people who hadn’t worked were better provided for by the state in terms of state benefits. People made comparisons and felt that those who had worked and provided for themselves, as they had, were penalised: *‘I didn’t plan anything .... You thought that if you paid your stamp, then that was your pension’ (retired); ‘Seems to me if you’ve got your own private pension then you’re penalised’ (pre-retired).*”

The **Centre for Research in Social Policy**, in its annual report 2000/2001, reports on its ‘Traps and Springboards in European Minimum Income Systems’ project: “In Greece, the lack of a universal safety net may lead to over-reliance on the family as a provider of welfare. However, even in countries with well-established minimum income schemes – Belgium, Denmark and the UK – there can be no grounds for complacency as the extent of movement down into inadequate protection and poverty is high. Large proportions of people who fell through the safety nets into ‘insufficient protection’ departed from work. This suggests that the capacity of the minimum income systems in each of these countries to prevent poverty is unreliable for many groups of people, particularly those who are separated and divorced, in bad health and of lower occupational status. The tightening of eligibility rules for unemployment benefits since the observed period, 1993-1995, may mean that the circumstances of these people have further deteriorated.”

The **Joseph Rowntree Foundation**, in its *findings* for April 2002, has summarised a report by Elena Bardasi and Stephen P. Jenkins, titled *Income in later life: Work history matters*, and published for the Foundation by the Policy Press. The researchers found that for men the effects of early exit from the labour market depend on occupation and for women household type and marital status seem to be more important. When it comes to policy implications, the researchers suggest that to encourage individual saving and pension provision will perpetuate income inequalities into old age, and that to tackle such inequalities a substantial increase in the flat-rate basic retirement pension would be required, which would be costly. They suggest that only reducing inequalities in family responsibilities and in the labour market earlier in life would have any impact on inequalities in later life.

The **2002 Budget** set the rates for the new Working Tax Credit and Child Tax Credit (which replace the Working Families Tax Credit). Paul Bivand, writing in the May 2002 issue of *Working Brief* (the journal of the Centre for Economic and Social Inclusion), calculates that the new credits will reduce disincentives in the labour market, particularly for individuals over 25 and for couples without children. He also points out that, because large numbers of people will be in receipt of Child Tax Credit, claiming tax credits will become the norm and take-up of other tax credits will improve.

## Reviews

Chiara Saraceno (ed.), *Social Assistance Dynamics in Europe: National and local poverty regimes* (Policy Press, 2002, ISBN 1 86134 314 0)

There are clear differences between the paths into and through social assistance in different countries, and to understand the causes of these differences the contributors to this volume “look at how national and local systems ‘construct’ and select social assistance recipients. This obviously involves looking at the incidence of poverty and at the demographic and social characteristics of the poor in the various countries and cities. It also involves looking at patterns and criteria for entitlement to support in the various national welfare systems. Finally, it means analysing the nation-specific patterns, that is the varying combinations and divisions of the spheres of social security and social assistance, and the manner in which they impact, react to

and shape the life course of individuals” (p.2). The authors’ thesis is that “social assistance policies and the construction of the poor and of the socially excluded as social categories are as much a part of the process by which individuals and groups *become* poor or socially excluded, and/or exit from poverty and social exclusion, as labour market processes or family processes. They offer in fact – to different degrees and with different outcomes depending on the institutional framework, local cultures and circumstances – social definitions as well as resources, opportunities as well as constraints” (pp.2f). Thus social assistance policies can locate people in ‘poverty’; but they can also keep them out of it, and Saraceno mentions particularly child benefits in this connection (on pp.3f and 17).

Most of the book relates detailed studies on cities as local systems, on income support measures for the poor in European cities, on why some people are more likely to be on social assistance than others, and on paths through and out of social assistance. Together, these studies suggest that “countries .... differ in at least four dimensions: the existence or not of an explicit set of policies addressing poverty; the degree of categorisation (or universality) of assistance; whether income support is near pure subsistence level or at a decent minimum; and the kinds of obligations and controls attached to the status of beneficiary” (pp.5f).

The *point* of the project is to draw conclusions about the *efficacy* of social assistance measures. Eight different social assistance ‘regimes’ are identified, and this diversity, alongside the varied and detailed conclusions of the individual chapters, suggests that it might be impossible to draw robust general conclusions from the mass of data which the researchers employ. But whilst detailed study of data cannot always offer positive generalisations, it can sometimes question received wisdom, and an important result of this study is “the deconstruction of the myth of welfare dependence” (ch.6). The authors find no evidence of large-scale long-term dependency on benefits; but they do find evidence that benefits ‘targeted’ at the poor cause significantly more dependency than universal benefits. As Saraceno writes: “One of the main findings of our study is that close targeting and low benefits create a population of beneficiaries characterised by a high degree of vulnerability and difficulty in becoming completely autonomous from social assistance .... In contrast, where benefits are relatively generous, beneficiaries are more ‘mixed’ and the chances of success higher, it is less likely that the presence of a certain proportion of ‘difficult’ beneficiaries will have a strong stigmatising effect on the whole population of recipients, and on the institution of social assistance itself. Universalism and generosity would therefore appear not only more appropriate to a citizenship culture, since they lead to better social integration, but also more effective in the medium-long term: in so far as they prevent



people from exhausting their resources and starting social assistance too late to be successfully supported” (pp.246f). And particular problems are found with ‘making work pay’ benefits: “Important as it is to acknowledge that efforts must be made ‘to make work pay’, the mechanisms involved in means-testing on a household basis risks creating further vicious circles, particularly for women. It can make it no longer worthwhile to work extra hours or to have an additional worker/earner in the household. This negative incentive affects in particular two-parent households, rendering them (and especially women) more, not less vulnerable to poverty and social exclusion should something happen to the couple’s relationship. Paradoxically, this occurs in the same country, the UK, in which the New Deal for Lone Parents strongly encourages lone mothers to take up paid work as a way of better protecting themselves and their children financially, and being better integrated socially” (pp.253f).

This book is essential reading for anyone interested in the reform of tax and benefits. If there is a second edition, then two additions would be useful: 1. The emphasis is on benefits, and a section on the move to tax credits and on other welfare-related functions of the tax system would help the reader towards a more complete understanding of the relationship between fiscal instruments and social dynamics. 2. There are plenty of pointers towards what might be more constructive benefits regimes, and particularly the evidence which points to universal benefits creating less dependency than means-tested benefits do; and for the book to argue from this material towards a prescription for the kind of social assistance system we might need if we wish to reduce welfare dependency would be to do policy-makers a major service. A discussion of the feasibility or otherwise of an EU-wide child benefit and/or citizen’s income might form part of such an addition.

Duncan B. Forrester, *On Human Worth: A Christian Vindication of Equality* (SCM Press, 2001, £17.95, ISBN 0 334 02825 6)

This book has the wrong title. It is entirely about equality: the roots of the idea, the importance of it, the lack of it, and how we might embody it. The book should have been called *On Equality*.

Forrester begins with anecdote from India, he prints a diary which recounts a life of poverty, and he tells the stories Jesus told; but he also deals with complex theological, economic and sociological literature; and it is all about equality or the lack of it. It is not just about poverty: it is about inequality and the importance of equality.

The book discusses the meanings of equality, poverty and social exclusion; it finds the roots of the pursuit of equality in the Judaeo-Christian tradition; it discusses the history of equality; and it asks what we, the Church, and the State can do to promote equality.

What will interest readers of this newsletter most is that in this comprehensive and well-researched book social security is discussed in somewhat vague terms, and it is not well related to the main line of argument, whereas health care is discussed in close relation to the concept of equality and the NHS is treated as a paradigm of equality-based social policy. Child Benefit is neither in the text nor in the index – yet surely this is *the* paradigm, creating an element of absolute equality across the entire child population. Forrester has read Tony Atkinson, Bill Jordan and Philippe van Parijs (though perhaps not as much of their writings as he might have done), but not Tony Walter or Hermione Parker. There is no recognition of the existence of debate on the extension of universal benefits as a means of enabling people to become autonomous citizens in charge of their own economic destinies.

This is not to complain that Forrester has somehow got it wrong; it is rather to say that there is something fundamentally flawed about social policy debate in this country. Central to that debate are education and health (and Forrester offers significant material on education, even though in the conclusion he tells us that he hasn't done so). As Forrester shows, vital to the reduction of health inequalities and many other social ills is income equality: yet public debate on the nature of our tax and benefits system, and of the options facing it, is rarely heard, and, when it is heard, it is conducted in naïve terms ('means-testing' and 'targeting' are *not* synonymous) and with little relation to the detail of the system being discussed or to the precise likely effects of options considered. There has been almost no public debate about the move to tax credits. Why not? Because we regard these as technical issues with little to do with the fundamental structures of our society. They are not. They determine how we shall live together as a society.

Forrester's book is a passionate book, which is why it is a pity that the title does not evoke the passion which *On Equality* might have evoked.

What is needed now is an equally passionate book about tax and social security: about why they matter, about how they currently contribute to poverty, social exclusion and inequality, and about how this situation might be put right.

*Technical Commissions: Leo Wildmann Symposium: Reports presented at the 27<sup>th</sup> General Assembly of the International Social Security Association, 9th – 15th September 2001, in Stockholm* (ISSA, 2001).

Relevant reports are on telecommunications, performance management, pay as you go pensions, poverty, trends in family protection, research, and managing pension schemes. The reports describe the situation, outline issues for discussion and future work, and give useful lists of references.

However, little if any of the discussion is on the linkage between longer term policy change and the detail of the issues discussed. For instance, in relation to technology: the issues discussed in relation to telecommunications and computerisation would look very different if the aim were to establish universal benefits or tax credits, neither of which receives a mention.

The final three reports, on ‘social security for all’, are particularly relevant to readers of this newsletter. The first of these, on the diversity of systems in developed countries and on how these are not always appropriate in developing countries, suggests that “a variety of different approaches combining conventional social insurance, social assistance, state and private sector provisioning, and schemes operated by membership-based organizations and voluntary agencies, will be needed,” (report by Dharam Ghai, p.13). But the logic of the argument suggests that such schemes are *not* necessarily appropriate, and that all options should be considered: presumably with universal child benefits and a small citizen’s pension among them.

In the second of these reports, a multi-pillar scheme for pension provision is suggested to meet the diverse needs of different parts of the labour force. A greater diversity would be contributed by a flat-rate tax-funded citizen’s pension (as in the Netherlands), but this option is not explicitly explored.

The third of these reports identifies the difficulty of collecting tax in the developing world as a problem related to universal benefit schemes. A question not addressed is whether the implementation of universal benefit schemes might not improve the state’s ability to collect tax by linking the administration of a citizen’s income to the collection of tax on all other income.

Fran Bennett and Donald Hirsch, *The Employment Tax Credit and issues for the future of in-work support* (Joseph Rowntree Foundation, 2001, ISBN 1 84263 035 0).

This book, published by the Joseph Rowntree Foundation, begins with a quote from Samuel Brittan: “The government plans to bring together, in 2003, support for children into an integrated child credit, while in-work support for adults will be consolidated into an employment tax credit. The net result will be close to a negative income tax subject to a ‘willing to work’ test.”

The paper outlines the background and purposes of the Employment Tax Credit (ETC), analyses the proposal, sets out a range of issues raised by its introduction, and examines some general implications of trying to tackle these issues within the framework of an ETC.

The current Working Families Tax Credit (WFTC) is a tax credit for families with children, and the Disabled Person’s Tax Credit (DPTC) is a tax credit for people with disabilities. In 2003, the children’s elements in these will be combined with other payments for children to form the Child Tax Credit, and what’s left of WFTC and DPTC will be integrated with each other to create a tax credit for adults which will be extended to people without children.

As with the WFTC, the ETC will be means-tested against family income and will be withdrawn as income rises; and, like WFTC, it will be delivered through the pay-packet.

The authors suggest that to extend an employment tax credit to all working adults ( - though effectively only to low-paid working adults because of the credit’s withdrawal as income rises) might create disincentives where they do not currently exist: “It would be unfortunate if the deployment of a particular safety net discouraged behaviour that might reduce the need to use it” (p.10). Whilst recognising that the ETC will increase the incomes of some low-paid adults, the authors are concerned that wages might end up lower (because low wages will be subsidised by ETC), that means-testing might reduce people’s willingness to seek new skills, that it could deter one partner from seeking employment (because the amount paid will be based on a family means test), and that new complexities will be added to an already over-complex tax and benefits system.

A particular concern is that take-up will not be 100% (take-up of WFTC is already low, largely because employees don’t want employers to know their financial situation); another is that small employers will find administration of the system burdensome; another that the family means test will affect intra-family relationships across a broader range of family types than WFTC and DPTC do between them; and yet another is that shifting family patterns will create administrative problems.

The paper explores issues related to details which the government will need to consider: for instance, if there is a cut-off at a particular number of hours worked, then employment patterns will be changed by the tax credit. If the taper is sharp, then many people might reduce their hours to below the threshold.

The major problem, though, is that of incentives: “Whatever the structure of the ETC, it is impossible to escape entirely the effect on incentives and opportunities of encouraging people to work for earnings that need to be topped up on a means-tested basis in order to create an acceptable standard of living. Under a system of means-tested supplementation, attempts to overcome disincentives are inevitably traded off against other objectives, such as responsiveness, ease of administration and lack of intrusiveness for claimants,” (pp.21f).

The paper suggests that a major reason for ETC is the government’s desire to reduce the number of people receiving cash benefits (though the new Child Tax Credit is to be paid as a benefit to the main carer), and also suggests that the distinction between receiving money as a cash benefit and receiving it through the tax system is more important to the government than to claimants.

The authors’ conclusion is that “all the difficulties suggest that the problems thrown up by the ETC are not easy to overcome through policy design, since they represent certain dilemmas inherent to the fundamental characteristics of in-work means-tested support. Even where it is possible to solve one problem, either wholly or partially, the solution may create another” (p.27). *Their* solution to the problems which ETC is intended to address would be to increase the minimum wage, to encourage investment in human capital, to offer advice beyond the New Deals, to emphasise women’s working opportunities, to review treatment of part-time work, and to subsidise in-work costs such as childcare.

The conclusion points out that by 2003 two fifths of households will be on means-tested benefits or means-tested tax credits. The authors counsel against extending means-testing in this fashion: “Whilst the government’s first priority may have had to be addressing the symptoms of in-work poverty, it should now be focusing on addressing its causes. Means-tested in-work supplementation is likely, we believe, to make at best a limited contribution to these longer-term tasks,” (pp.38f).

(‘Part II’ contains ‘further evidence and arguments presented at a JRF seminar on ETC on the 14<sup>th</sup> May 2001.’ This should have been called an appendix. Donald Hirsch’s and Fran Bennett’s paper contains many of the main paper’s findings; Frank Wilkinson’s historical reflections offer

useful background on wage subsidisation; and Mark Pearson and Stefano Scarpetta discuss the employment and distributional effects of ‘making work pay’ policies.)

On page 37 the ‘participation income’ suggested by Tony Atkinson gets a brief mention. What *doesn’t* get a mention is the fact that universal benefits such as Child Benefit don’t exhibit the problems associated with means-tested tax credits, that they cohere with the authors’ suggestion that too much means-testing is bad for incentives, and that they would contribute constructively to the authors’ preferred solution to the problems to which the government believes ETC to be a solution.

The Joseph Rowntree Foundation is to be congratulated on this accessible, interesting, well-argued and constructive paper. What would now be welcome would be a follow-up asking whether such approaches as a participation income, a negative income tax or a citizen’s income might be preferable to the current increasing reliance on means-tested tax credits.

Matt Barnes et al, *Poverty and Social Exclusion in Europe* (Edward Elgar, 2002, £45).

In this book an international group of researchers use European Community Household Panel data to explore the extent and nature of social exclusion in Europe. They concentrate on six countries: Austria and Germany (with ‘corporatist’ welfare states characterised by status-preserving benefit regimes aimed at families), Norway (with a ‘social-democratic’ welfare system characterised by high levels of benefit aimed at individuals and funded out of taxation), the UK (with a ‘liberal’ welfare state characterised by low flat-rate and means-tested benefits) and Greece and Portugal (with rudimentary welfare states characterised by minimal welfare policies) – though they recognise that no country’s system is a pure type, and that rapid social and economic change is causing change in every country’s tax and benefit system.

In chapter 1, Matt Barnes defines social exclusion as multi-dimensional, dynamic, relational and disruptive of social relationships, and he locates this study in the context of other recent studies; in chapter 2, Panos Tsakloglou and Fotis Papadopoulos discuss the methodology which the researchers use to investigate the extent and kinds of social exclusion and its relationship to low incomes; in chapters 3 to 6 Sue Middleton, Jane Millar and Chris Heady look in detail at four at-risk groups: young adults, lone parents, sick and disabled people, and retired people. In the final chapter Chris Heady and Graham Room discuss policy implications.

In each chapter, data is carefully discussed, detailed conclusions are drawn, and over-generalisations are avoided. Of particular interest to contemporary debate in this country is Jane

Millar's conclusion to the chapter on lone parenthood, in which she points out that policy is moving away from the 'male breadwinner' to the 'adult worker', and concludes from the data and her discussion of it that "employment does not ..... always protect against poverty. Support for working parents – in both cash and kind – will also be required, if poverty in work is to be avoided" (p.100). In relation to Europe as a whole, Sue Middleton draws the conclusion that "whilst the extent of poverty in old age varies from country to country, those who experience it are the same – the oldest and those living alone" (p.145), and Christopher Heady concludes that "policies in all countries have not prevented sick and disabled people from experiencing greater deprivation than other adults" (p.122). These are all things which we thought we knew. In this book we have data, analysis and discussion which ground the conclusions in solid evidence.

The final chapter draws careful and detailed conclusions from the study as a whole. One general conclusion is that educational achievement and employment help to prevent poverty, and another is that those who live alone are more likely to experience poverty. 'Employability' and 'equal opportunities' are already high on the European Union's agenda, and the authors conclude that the results of their research show that it should stay that way. Three particular issues which the European Commission are currently discussing are the individualisation of social rights, the combining of minimum income benefits with active pathways into the labour market, and the sustainability of public pension schemes. The authors rightly state that their research and findings are relevant to these discussions.

The authors do not make specific policy recommendations: they clearly did not understand this to be their brief. But if it is true that household-based means-tested or contributory benefits are not going to promote ease of access to the labour market, equal opportunities, the individualisation of social rights, or income security in old age, and that individualised non-means-tested benefits are bound to do so, then at least a tentative suggestion that future policy discussion might run along these lines would have been in order.

This is a book packed full of data, high-quality discussion and justifiable conclusions. Highly recommended for anyone interested in the debate on poverty and social exclusion in Europe.