

Citizen's Income

newsletter

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Following our suggestion in the last issue that the Citizen's Income Trust might use the internet as the chief means of disseminating its regular newsletter, we have received some very useful affirmative and constructive comment and only one objection. This will therefore be the last newsletter disseminated primarily in printed form. The first issue for 2003 will be published on

our website. An email will be sent to everyone for whom we have an email address. Anyone who asks for a print-off of the newsletter will be sent one.

We would be very grateful if readers would return the form at the bottom of the enclosed letter or communicate their current email address by email.

Please note our new fax number: 020 8305 1802.

Editorial

This issue contains the Citizen's Income Trust's response to the Labour Party's National Policy Forum's consultation document *A Modern Welfare State*. The consultation document is important because it is already the result of consultation, because it will form the basis for further consultation and then for discussion at a Labour Party conference, and because it asks many of the right questions. Our response is the result of consultation and agreement amongst the trustees of the Citizen's Income Trust. In order to inform our own continuing study of the debate on the feasibility and desirability of a Citizen's Income, we would welcome comment on our response, and on anything else which appears in the Newsletter.

In our last issue we reported on a conference held at the Institute for Fiscal Studies to evaluate the current Government's effect on social security provision during the past five years. On the 20th July a 'Socialist Conference' was held in London entitled *After New Labour*. This was constructively critical of the Government's approach to a variety of issues. Of particular relevance to readers of this newsletter is Peter Townsend's paper on *The Future of the Welfare State*. Townsend bases his approach on the Universal Declaration of Human Rights, and in this context recommends an extension of social insurance and a Citizen's Income, both for this country and internationally. (Copies of the paper are available from the editor).

But New Labour is still with us, and, we are pleased to say, still strongly committed to the universal approach to benefits represented by Child Benefit. (See the item on Child Benefit in the News section below). By offering a careful and detailed response to the Labour Party's consultation document we hope to contribute to a more vigorous debate, both within the Labour Party and within the Government, on the feasibility of extending this universal approach to all citizens. We are encouraged by the National Federation of Pension Funds recent publication (see the news item below) to believe that we shall not be the only organization contributing to such discussion.

There is no reason for the debate to wait until after New Labour.

A new agenda: complexity theory, tax and benefits

This brief article sets a question: Does the rapidly developing field of complexity theory offer a) a way of understanding tax and benefit systems, and b) a context within which their reform can fruitfully be debated ?

There is no one 'complexity theory': there are complexity theories. Ilya Prigogine and Isabelle Stengers, in their *Order out of Chaos: man's new dialogue with nature* (London: Heinemann, 1984) explores the seething complexity of physical systems and discovers a wealth of examples of fluctuation leading to new levels of self-organisation rather than to chaos; and Gregoire Nicolis (in 'Physics of far-from-equilibrium systems and self organisation', in Paul Davies (ed.), *The New Physics* (Cambridge: Cambridge University Press, 1989), pp.316-347) summarises one of the findings of this 'Brussels School': "Nonlinear dynamics and the presence of constraints maintaining the system far from equilibrium will turn out to be the basic mechanisms involved in the emergence of these phenomena [of self-organisation] ... All in all, these developments contribute to the emergence of a novel picture of our natural environment, more complex, more realistic, and undoubtedly more challenging than the idealised archetype proposed by classical science" (pp.316, 346). As Paul Davies points out: at the micro-level, at the macro-level, and at every level in between, "it is one of the universal miracles of nature that huge assemblages of particles, subject only to the blind forces of nature, are nevertheless capable of organising themselves into patterns of cooperative activity" (Paul Davies, *The New Physics* (Cambridge: Cambridge University Press, 1989), p.4), and he suggests, on the basis of evidence, that systems generally undergo *both* self-organisation *and* chaos, or they undergo neither.

Stuart A. Kauffman, in his *The Origins of Order: Self-organisation and Selection in Evolution* (Oxford: Oxford University Press, 1993), concludes that living organisms are "the result of the unfolding of many developmental mechanisms which have become integrated with one another. If our bold hypothesis is right, such integrated complexity generally yields simplicity; [the process whereby viable forms evolve] may be inherently robust, not exquisitely fragile" (p.642).

At the Complexity and Organisational Learning Research Programme at the London School of Economics, Eve Mitleton-Kelly and her colleagues are exploring the relevance of these developments for the understanding of social systems. They take up Nicolis' and Prigogine's suggestion, made in their *Exploring Complexity* (W.H. Freeman, 1989), that "it is more natural to speak of *complex behavior* rather than complex systems" (p.8), and they apply it to organisational complexity. Theories of complexity provide a way of seeing the world, and it is

such a way of seeing which has led Geoffrey M. Hodgson, in his *Evolution and Institutions: On Evolutionary Economics and the Evolution of Economics* (Cheltenham: Edward Elgar, 1999), to insist that unless the discipline of economics remains diverse it will not be able to develop new usable theory and “will eventually suffer a dull death” (p.13), and to recommend that economics should experiment with methods learnt from the kind of biology which Kauffman’s work represents.

The theories of complexity, with their terminology of connectivity and interdependence, coevolution, degrees of connectivity, fitness landscapes, feedback, unpredictability and emergence, have led Mitleton-Kelly to follow Kauffman in suggesting that complex systems of many kinds share a number of characteristics. We are not here in the world of metaphor and analogy: we are dealing with observable characteristics which systems in physics, biology and the human sciences seem to have in common. The Centre at the LSE thus treats organisations as complex evolving systems, and bases its consultancy work on identifying and creating enabling infrastructure within which experiment can lead to new order. The Centre’s work has shown them that complex systems cannot be ‘designed’ in great detail because they are made up of changing patterns of behaviour and because within them unpredictable new patterns emerge. The researchers conclude that human beings are remarkably resourceful if they are allowed to self-organise.

There are some obvious lessons for tax and benefit systems:

- Tax and benefit systems are themselves complex and they coevolve within a complex society. We should therefore expect them to exhibit properties which other complex systems exhibit.
- Methods appropriate to the study and transformation of other complex social systems, such as industries, are likely to be applicable to tax and benefits systems as they adapt to serve a changing society.
- The tax and benefit systems will need to remain diverse if they are to evolve creatively. This suggests (counter-intuitively) that simplification of the system *as a whole* is what is *not* required, and maybe that a combination of universal provision, private provision and means-tested provision for each age-group is what *is* required.
- The total social system will develop most creatively if it is not overcontrolled by any part or parts of the tax and benefit system. This suggests that disincentives and coercion

should be reduced and the number of elements which might enable other parts of the system to develop freely should be increased.

This short article has merely suggested an agenda. It is a large agenda, but that is no reason not to make a start.

Malcolm Torry

News

The National Association of Pension Funds recommends a Citizen's Pension of £100 per week.

A new Citizen's Pension, worth £100 a week and rising in line with earnings, is at the centre of radical new proposals for pensions reform, published today by the National Association of Pension Funds (NAPF).

In its wide-ranging policy paper "Pensions – Plain and Simple" the NAPF sets out a number of key reforms which would boost incomes for the poorest pensioners, strip away complexity, encourage consumers to save more, remove barriers to workplace pension provision, and improve consumer understanding and protection.

The proposals include replacing the present tangle of State provision with a single, universal, flat rate payment worth about 22% of average earnings and rising in line with earnings. Beyond that, individuals will be encouraged to make extra provision, either through the workplace or with personal or Stakeholder pension providers.

Among the key recommendations in "Pensions - Plain and Simple" are:

- replace the tangle of existing State pensions with a single, universal, flat rate Citizen's Pension worth £100 a week at present and rising in line with earnings;
- abolish restrictions on retirement age, but raise the age at which the new Citizen's Pension becomes available from 65 to 70 between 2020 and 2030 – allowing the new, more generous pension to be provided at no additional cost to the public purse;

- offer more generous tax treatment for longer-term savings, rewarding pension savers more than savers in ISAs or other short-term savings vehicles;
- abolish rules limiting individuals' ability to join more than one pension scheme;
- offer better pension protection for occupational pension scheme members nearing retirement age whose employer goes bust;
- remove rules preventing employees continuing to work for the same employer while drawing down part of their pension; and
- abolish rules restricting the amount individuals can pay in, or receive in benefits from, their pension scheme.

Launching the paper, NAPF Chairman, Peter Thompson, said:

“Today’s pension system is weighed down by red tape, jargon and complexity. Because of this, too many of today’s workers are put off thinking about pensions, storing up potentially massive problems for the future. The proposals we have published today tackle this problem head-on. They would replace the present over-complicated mix of State pension provision with a single, flat rate Citizen’s Pension, payable to everyone, set at a high enough rate to help more pensioners out of poverty, and linked to rises in earnings rather than prices. This would be achieved at no extra cost to the public purse. Today’s workers would then know exactly where they stand. They will also know that if they wish to enjoy a more comfortable income in retirement, they must make additional arrangements, either through the workplace or with a personal pension provider. With this one straightforward and affordable change, the whole picture becomes simpler. Not only are the various State pensions rolled into one, but the need for complex decisions over contracting in or out of the State scheme is removed, along with a forest of red tape. These proposals are a well-thought out, costed and effective answer to many of the problems which threaten to push today’s pension system into crisis. I hope the Government will use them in drawing up its own reform proposals to be published later this year.”

A copy of the full document, “Pensions – Plain and Simple”, can be downloaded in PDF format from the NAPF website at www.napf.co.uk.

Other News

The Select Committee on Work and Pensions' Social Security Committee's second report on the Integrated Child Credit stated: "We value the role of universal **Child Benefit** and believe it should continue to play a substantial role in supporting the children of this country. We welcome the commitment from the Chancellor to Child Benefit. We recommend that the Government takes steps to ensure that, as integration develops, a separately identifiable universal element, presently Child Benefit, is preserved." The Government's response states: "The Government is committed to Child Benefit as the foundation of support for families with children. In the last parliament the rates of Child Benefit for the first child were raised by 26% in real terms. On 31 May [2001] the Chancellor said: 'Millions of families can be absolutely reassured that not only will Child Benefit not be taxed, it will remain universal, and in the (next) parliament it will rise in line with prices.' Child Benefit will continue to form the universal foundation of support for families."

In an assessment of the **New Deal**, Dave Simmonds reports in the journal *Working Brief* (issue 135, p.10), from the Centre for Social Inclusion, that Treasury calculations show that the introduction of the Working Tax Credit will make a single person over 25 in work 18.5% better off on average. He suggests that "this should have an impact on incentivising people to take jobs and stay in jobs," but concludes that "to be effective as an incentive people need to know about in-work benefits and have confidence in the 'better off' calculations done by Jobcentre Plus and other agencies. A major effort will be needed to communicate the general message that 'work pays', as well as increasing the capacity to deliver high standard advice." In issue 137 (p.13), in a discussion of the needs of 16 to 18 year olds who are not in work or education, the Centre suggests that the current "system of discretionary payments needs to be replaced by a wider entitlement to financial support in return for a commitment to enter learning:" a 'Learning Allowance' "of at least £40 per week as the core financial mechanism for supporting young people who do not enter paid employment or an apprenticeship at age 16 The mix of financial support received by young people and their families should not favour either the work-based route to learning or college and school participation beyond the age of 16" (pp.22-3).

In 2000, John Veit-Wilson published an article, 'States of Welfare: A Conceptual Challenge' (*Social Policy and Administration*, vol.34, no.1, March 2000, pp.1-25), suggesting that the term '**welfare state**' has such an imprecise meaning that it is contributing nothing to the debate on poverty. He suggested that 'welfare state' should be taken to mean that the state "ensures a minimum real income *for all*." Now, two years later, Charles Atherton has responded, saying that Veit-Wilson's approach is "too limiting" ('Welfare States: A Response to John Veit-Wilson', *Social Policy and Administration*, vol.36, no.3, June 2002, pp.306-311) and that 'welfare state' is legitimately used as a description of "those societies that have used the welfare state to reduce substantially the depth and incidence of poverty." Veit-Wilson responds in the same edition of *Social Policy and Administration* ('States of Welfare: A Response to Charles Atherton', vol.36, no.3, June 2002, pp.312-317), saying again that the term should be restricted to "states which offer a minimum real level of living to all their citizens." Veit-Wilson recognises that such an income might be means-tested, and at the same time writes that "tests of *desert* are features of the Poor Law, not the welfare state" (p.314). Since Jobseekers' Allowance is conditional, it would seem that the UK does not have a welfare state.

The Department for Work and Pensions reports that the Government has decided that from April 2003 the normal method of **paying benefits and pensions** will be by credit transfer directly into a bank or building society account. Nearly half of all recipients already receive their payments in this way and more than 80% already have access to a bank or building society account. Order books and girocheques will be phased out gradually, and by 2005 all benefits will be paid direct into an account. The Inland Revenue is also to pay some tax credits directly into accounts. For people new to banking a 'basic' bank account will be available from banks and building societies (which will enable people to pay money in and get cash out), and, for anyone unable or unwilling to open a current or basic account, a card account at the Post Office will provide access to benefits payments.

Events

The Ninth Congress of the Basic Income European Network, *Income Security as a Right*, was held in Geneva from the 12th to the 14th September.

For three glorious, blue-skied days, more than 200 delegates congregated in the imposing building which houses the International Labour Office above the shores of Lake Geneva, to explore the implications of introducing various types of Basic Income schemes, and to hear how the debate has progressed in different parts of the world.

This must have been the largest BIEN Congress so far, in terms both of the number of delegates and of the number of presentations offered. The large number of participants was exciting but changed the congress from being an intimate meeting where one could have a conversation with most people to a gathering in which it was harder work to get to know people. There were about 110 presentations in all: some were invited papers, but the majority were given during parallel sessions, which meant that a participant could hear about 40 papers at most, leaving the participant frustrated at having to miss so many other interesting papers. One of the notable features was the number of eminent speakers. His Excellency Dr. Pascoal Manuel Mocumbi, Prime Minister of the Republic of Mozambique, took a day out of his busy schedule to hear some of the presentations, and expressed himself very interested in the idea. The Director General of the International Labour Organisation, Juan Somavia, welcomed the subject matter, 'income security as a right' as being central to the ILO's interests, tackling as it does the underlying causes of economic insecurity. Another delegate who took a keen interest was Pierre-Francois Unger, the Conseiller d'Etat for the Canton of Geneva, with a post in the Department of Social Affairs and Health. The UK fielded two eminent speakers: Professors Tony Atkinson and Raymond Plant (who sent his paper but was unable to be present in person), economist and philosopher respectively, each of whom has contributed to CIT events in the past. Also present were Eduardo Suplicy, who is Senator for Sao Paulo in Brazil, and who has been attending BIEN Congresses since 1994; Rehman Sobhan, an eminent economist from Bangladesh; and Dharam Ghai, the former Director-General of the United Nations Research Institute for Social Development (UNRISD), now retired and researching social protection and poverty alleviation.

There were six themes running through the Congress: Assessing selectivity; Citizenship credit cards; Workfare vs Basic Income; Income security for Care Work; Income Security for development; and Legitimising Basic Income Politically.

Sometimes it seems quite difficult to find new things to say about basic income, since the implications have already been well worked out, but two things bring a freshness; one is the type of welfare systems which are currently being implemented, so that comparisons may force us to view BI in a different light, and the second is that new delegates bring new enthusiasms. We were very privileged to be able to welcome to this Congress many delegates from developing

countries, particularly from South America and from Africa, from which came an enthusiastic contingent of young South Africans. As often happens, new delegates referred to means tested benefits (MTBs) rather than to a true BI system, and maybe this would be easier to implement in a poor country. There was some discussion as to whether there was a critical threshold of wealth necessary before a country could implement a BI or MTB scheme, and it was thought that the poorest countries would need international aid. It was suggested that it would be far more effective if international aid could be given in the form of a BI, rather than as grants to the leaders of countries to buy prestigious goods from the donor country with few controls on how the aid is spent. Uma Devi queried whether a BI scheme is only feasible in rich western countries with cash economies, and to what extent it would be dependent on the process of globalisation. Certainly, there has to be both a culture and an infrastructure of tax collection and benefit distribution for a BI to be implemented

Eduardo Suplicy reported the successful institution of a conditional BI for children in Brazil, which has helped to reduce the problem of street children. A benefit is paid to poor families for each child, so long as the child attends school for 85 % of the time. Families are reclaiming their children from the streets, now that they can afford to feed them, and school attendance has risen dramatically.

Another perceptible change in the BIEN Congresses is the increase in the number of delegates from North America. A few years ago, the emphasis in the USA was on the distribution of shares, which might seem more appropriate for a country which abhors taxation. However, there have always been American advocates of BI, at least since the Negative Income Tax experiments of the 1960s. For the last few years there has been a very real example of an annual BI in the form of The Alaska Permanent Fund Dividend. Professor Scott Goldsmith reported on the history and success of this 'Experiment in Wealth Distribution', resulting from substantial tax revenues from oil production since 1977.

It has long seemed to me that the BI argument will be won or lost on philosophical or political grounds, rather than straight economic ones, and I can listen to the discussions for 'legitimising Basic Income politically' all day, trying to find new debating points or examples to add to my quiver of arguments. Rosamund Stock's paper 'The Psychological Rationale for Basic Income' provided fascinating insights into the connection between the different bases for the distribution of resources in society and the different types of relationships which they foster. This again brings us to the key question for any discussion on welfare reform: 'What sort of society would we like to be part of and help to create ?'

Once again, I left the Congress with my head buzzing and full of ideas, wishing that there had been more time to talk with people, to hear more papers, and to read more of the unheard ones. Two and a half days, interspersed with receptions by the city and by the ILO itself, is really too short a period to solve all the problems of the world!

Anne Miller

Future events

The 4th International Research Conference on Social Security, *Social Security in a Long Life Society*, will be held in Brussels from the 5th to the 7th May 2003.

The organizers write: “Demographic ageing, globalisation processes, radical changes in traditional family structures have major impacts on everyone's lives. The lengthening of the average life span has resulted in a tremendous impact on society, creating fresh opportunities as well as new risks. This demographic shift has been accompanied by new life patterns and family arrangements. It has also altered the balance between work and leisure time – a trend magnified by the shrinking duration of the working life and by less stable patterns of employment. Overall, these developments challenge the validity and adequacy of existing social security programmes. The evolving nature of the life cycle – and new associated risks – need to be described, analysed and taken into account in the development of innovative policies. Comparative research can offer invaluable guidance to policy makers in reshaping social security programmes to satisfy the challenges and opportunities of the emerging ‘long life society’.”

For further details, see the International Social Security Association's website at www.issa.int.

The Citizen's Income Trust's response to the Labour Party's National Policy Forum's Consultation Document *A Modern Welfare State*.

Introduction

The Labour Government's introduction of various tax credits is welcome as an improvement on Conservative policies because it has reduced the extremely high effective marginal tax rates which resulted from the withdrawal of benefits as income from paid work rose. However, the

present and proposed marginal rates of 60% to 70% are still much higher than the combined rates of Income Tax and National Insurance Contribution and they result in eligibility for benefit extending much further up the income scale. This means that we are still supplementing the incomes of the very poor by depriving those who are not quite so poor, instead of introducing a truly progressive tax system.

We should change our approach to a higher Income Tax rate for all and much higher rates on higher incomes, up to 60% for the highest incomes, as in the period from 1979 to 1988 under Conservative rule. This should be combined with a Citizen's Income, an unconditional income paid to all, regardless of gender, marital or employment status, without means-testing and varying only with age. The levels of Citizen's Income and the rates of Income Tax (including employees' National Insurance Contribution) could and should be set in such a way that the net payment of income tax offset by the Citizen's Income by everyone below male median earnings would be less than now.

Detailed response

On page 3, the document sets out some guiding principles:

“Work is the most secure means of averting poverty. We are reshaping the welfare state so it helps and encourages those of working age to work where they are capable of doing so. But for those who cannot work Labour will provide security. We want to ensure pensioners share fairly in the rising prosperity of the nation. Those who are disabled should get the support they need to live a fulfilling life with dignity. Tackling child poverty is central to our approach and we're rebuilding the welfare state to support families with children.”

There is a recognition that “modernisation of the welfare state has to be a long term project” and that a “whole new culture for welfare” is required. The emphasis in this new culture is on ‘work’, by which is meant paid employment, and the document calls for responses to the following questions:

“Are we right to focus on work as the best form of welfare?”

“What more should we be doing to help people into work, stay in work and progress at work?”

“Many people have particular difficulty in getting work such as people over 50, black and other ethnic minorities, lone parents, women returnees and those with long term health problems. How can we best tackle unfair job discrimination?”

“How can and should we build upon the New Deal ?” (p.6)

To which our response is:

Since a large proportion of the population is unable to engage in paid work (especially pensioners, children and those with caring responsibilities), state benefits are as important as earned income. Therefore an adequate level of state benefits is vital, and the way in which such an income is paid is crucial.

Reduce further the poverty and unemployment traps by paying to every citizen a small unconditional income and reducing their tax allowances and means-tested benefits to pay for it. Because the administrative costs of such a Citizen’s Income would be extremely low (as are those for Child Benefit) and because even the smallest Citizen’s Income would reduce the effects of the unemployment and poverty traps, there is no reason for resisting the logic of this proposal.

A Citizen’s Income would enhance the flexibility of the labour market by making part-time employment more attractive. This would particularly benefit lone parents, women returnees, people over 50, and those with long-term health problems.

A more flexible labour market would enable the New Deal to offer a broader range of employment options to those who currently find it difficult to find or remain in paid employment.

The third and fourth responses together also apply to the following two questions: “What more help should we give disabled people to help them find work, stay in work or make an early return to work?” (p.6). “What can we do to help people whose circumstances often exclude them from taking up paid work, such as lone parents and disabled people ?” (p.7).

The move to tax credits is an improvement on Family Credit, but a question remains as to how women in households, and particularly non-earning women, will gain or maintain financial independence.

The next step is to transform tax credits into a Citizen’s Income, a step which would lower marginal tax rates even further and would thus improve on the already beneficial effects of tax credits.

In answer to the question “How can we ensure that this help gets to everyone entitled to it?” (p.7), we would point out that, because a Citizen’s Income would be paid automatically to every

citizen, there would be no take-up issues to discuss; and in response to the question “What are the main barriers to making work pay and what more can we do about them?” (p.7) we have already discussed above the reduction of marginal tax rates and the effect which this would have on the attraction of paid employment. The same reduction in marginal rates would also, of course, encourage people to increase their skills and to seek higher-paid jobs: both important ways of making work pay.

A real problem related both to means-tested benefits and to tax credits is the uncertainty which people experience as they move from unemployment to employment, or from one pay-level to another. A Citizen’s Income of any size would increase the predictability of the change in individuals’ net income which would follow a change in employment status.

The consultation document discusses steps which have already been taken to ease the return to work. These have all been helpful. In response to the question “What more needs to be done? We want to help parents balance work and home responsibilities. How can the welfare system help?” (p.8), we would respond: Enabling the labour market to offer a far greater variety of employment patterns would be of immense help. The continuing rigidities of the tax, tax credit and benefit systems mean that part-time employment of varying numbers of hours and of varying earnings remains problematic. A Citizen’s Income would ease the transition to such a labour market.

In relation to the problem of housing benefit, we would draw attention to our extended treatment of this complex issue in the *Citizen’s Income Newsletter*, issue 1, 2002.

Much has been achieved in relation to child poverty. In response to the questions “Are we right to treat work as the best form of welfare for those able to do so? What further help do people need to make the most of work opportunities?” (p.9), the answers are ‘Yes, provided the employment on offer is sufficiently flexible,’ and ‘Greater opportunities to be employed with very flexible hours.’ And in response to the question “Are we right to concentrate on children as the best way to help families?” (p.9), the answer is again ‘Yes’. The one-off increase in Child Benefit contributed to the reduction of child poverty; and similar one-off increases would be enormously helpful – provided Child Benefit remains unconditional and non-means-tested and thus contributes no deepening to the poverty and unemployment traps.

In answer to the question: “How do we ensure that these policies reach the widest number of people – how do we ensure that they are simple and effective?” (p.10) we would respond: Child

Benefit *is* simple and effective, and take-up is not a problem; and an increase in Child Benefit is an important part of the solution to child poverty.

The dilemmas which the Government faces in relation to pension provision are real, particularly at the moment. In answer to the question “Should we continue, while building on the foundation of the basic state pension, to do more to support the poorest pensioners and reward the thrift of pensioners with modest savings, or, as an alternative, should all our resources go to increasing the basic state pension for everyone?” (p.12) our response is: The latter. If a Citizen’s Pension were paid to every elderly citizen unconditionally, then the maximum possible incentive to save for old age and to invest in private pension provision will have been offered. Means-testing would then affect only a minority of pensioners, particularly if the Citizen’s Pension were to rise with increasing national prosperity. (This response is also an answer to the questions on page 13: “What should the main priorities of the Pension Service be?” “We want to encourage everyone who can afford to save for their retirement to do so. What more should we be doing?”) The proposed Pension Credit gives some reward to pensioners who have additional pensions or savings and the Minimum Income Guarantee helps the poorest pensioners. We recognise that at the moment there might not be sufficient resources for an unconditional Citizen’s Pension for everyone over 65, especially in view of the large increase in numbers reaching that age between 2011 and 2032. However, a Citizen’s Pension at the level of the Minimum Income Guarantee could be paid now to everyone over 75, so that most people above that age would no longer be subject to means-testing.

In answer to the question “How best do we encourage flexibility into the retirement age?” we would respond that a Citizen’s Pension, because it would not be means-tested, would encourage older people to undertake paid work if they wished to do so.

Conclusion

The questions which the consultation document asks are appropriate. The Labour Government has already provided some answers to those questions. A Citizen's Income offers an innovative way of preventing poverty whilst maintaining incentives for individuals to engage in paid work and to save. It is therefore time for a high-level discussion of the universal benefits approach to the reform of tax and benefits. The Citizen’s Income Trust will be glad to facilitate such a discussion.

Dr. Malcolm Torry, on behalf of the trustees.

Reviews

Peter Kemp, Steve Wilcox and David Rhodes, *Housing Benefit Reform: Next Steps* (Joseph Rowntree Foundation, 2002).

Our first issue for this year was on housing costs, and we particularly noted the Pivot Initiative's proposals for Housing Benefit reform. The Joseph Rowntree Foundation has now issued its own report on the subject, in which Kemp, Wilcox and Rhodes concentrate on two particular problems: the effects of rent restrictions and the relationship between Housing Benefit and tax credits.

The Local Reference Rent and the Single Room Rent (which restrict the level of rent on which Housing Benefit is calculated) are aptly described as 'trip wires', because their effects are often unknown until the tenancy agreement has been signed and Housing Benefit applied for. The Foundation suggests that a more transparent system which would at the same time provide a 'shopping incentive' (an incentive for someone to seek cheaper accommodation) would be to increase social security benefit levels by 25% of the local average housing cost and then calculate Housing Benefit on 80% of actual rent rather than on 100% of the restricted rent as at present. (The Pivot Initiative suggest a similar solution). The researchers model three schemes and conclude that there would be less shortfall and thus increased cost.

The second major problem the report tackles is the fact that families can suffer a 95% maximum marginal benefit deduction as Working Families Tax Credit, Housing Benefit and Council Tax Benefit are all reduced as income rises. Two solutions are offered: 1) A housing tax credit which would taper out first, *followed* by the tapering of other tax credits. (A housing tax credit, and tapering Housing Benefit and Council Tax Benefit one after the other, are Pivot Initiative solutions). This would reduce the maximum marginal benefit deduction but would move the taper further up the income scale. 2) A flat rate housing costs contribution (a partial tax credit) could be added to existing tax credits to complement rather than replace Housing Benefit. Again, 25% of average local rent is suggested. With both solutions, of course, a new complexity is added to an already complex situation, as regional variations in housing costs would make tax credits in one area different from those in another. The administrative problems which would result are not fully explored.

Like the Pivot Initiative's report, *Hope for Housing Benefit: A Strategy for Housing Benefit Reform* (Pivot Initiative, 2001), this report also suggests bringing low income home-owners into the Housing Benefit / housing tax credit system, and it also tackles the issue of payment periods.

Kemp, Wilcox and Rhodes had the benefit of the Pivot Initiative's report during the latter part of their work, which might be one cause of the considerable unanimity between the two reports. Another cause must be that the problems encountered with Housing Benefit have some pretty obvious solutions. We would merely add, as we did in issue 1 for this year, that to pay a locally-agreed nonwithdrawable Housing Benefit to everyone would provide the greatest possible shopping incentive and would remove the taper completely and thus provide a far greater incentive to seek employment: something which people living in London and who are unemployed and on Housing Benefit are understandably hesitant to do.

An issue which does not appear with anything like the frequency or the emphasis it should have in such reports as this is the issue of administrative complexity, both of the present system and of any proposed replacement or revision. Perhaps teams of Housing Benefit researchers should contain at least one member currently working in a Local Authority Housing Benefit department.

Jorgen Goul Andersen and Per H. Jensen (eds), *Changing Labour Markets, Welfare Policies and Citizenship* (Bristol: The Policy Press, 2002) ISBN: 1-86134-272-1.

Written by scholars from the British, Scandinavian and continental European welfare state traditions, this compilation provides an informative and stimulating account of recent developments in European labour markets and social security systems. Contributions take a variety of forms – surveys of general trends, conceptual discourses, single-country case-studies and cross-national comparisons – but what holds the book together is the editors' insistence that, besides describing and explaining the changes that have taken place over the past twenty years in the institutions of the work-welfare complex, the paradigms that guide public policy towards it and the norms that shape social behaviour within it, contributors should also reflect on the significance of these changes for the social dimension of citizenship.

Amidst a wealth of detailed findings and observations, some general themes stand out. All welfare states confront common external and domestic pressures for change, but the ways in which governments and other social actors respond to these pressures vary widely from one country to another. For example, comparative evidence provides scant support for the standard

neo-liberal claim that contemporary unemployment is caused by a combination of skill mismatch, labour market rigidity and dysfunctional tax and social security systems, and can only be cured by some combination of increased wage flexibility, investment in human capital and direct or indirect subsidies for low-productivity work. There is, in fact, no single best way to reduce unemployment, raise employment and increase labour market participation, either in the aggregate or among targeted social groups such as young people, older workers and ethnic minorities. The same applies to other social objectives such as the pursuit of gender equality.

Moreover, strategies which are equally effective in achieving these goals have divergent implications for citizenship, for here what counts is not just success in creating jobs and activating people who are, or risk becoming, disconnected from the labour market, but success in overcoming insider-outsider divisions, minimizing long-term unemployment, averting poverty and widening the remit of work-welfare policy to encompass unpaid caregiving, voluntary work and other socially valued, but unremunerated activities. The contrast between, say, Denmark and the UK is instructive in this regard. Since the early 1990s unemployment in both countries has fallen steadily, but whereas the former has maintained generous levels of social protection and has retained its traditionally egalitarian ethos and income distribution, the latter's continued drive to re Commodify the labour market and create a residual welfare state has taken it even further away from the partial, uneven and fragile form of social citizenship that was established after the Second World War.

It is reassuring to find that social scientists still have some use for the concept of social citizenship, both as an analytical category and as a normative ideal. It is also chastening to be reminded what a slippery concept it is and what formidable difficulties confront renewed efforts to pursue it in the age of the global market, when old sources of social solidarity, formed in the course of conflicts between classes and wars between nations, are finally exhausted and when, in Europe at any rate, social policy is increasingly influenced by interactions between states and by supranational regulation, as well as by more traditional interactions between national governments and domestic interest groups.

David Purdy

Jay Ginn, Debra Street and Sara Arber (eds.), *Women, Work and Pensions*

(Open University Press, 2002, 270 pages).

The issue of income maintenance in later life is one of considerable interest to the individual and the wider society. When the 'post work' phase of life can last as long, if not longer, than the period of participation in the labour market, issues of maintaining incomes for this period become paramount. Indeed the whole issue of pension provision is assuming increasing prominence in the policy area and is one where the interface between, and the controversy concerning, the respective roles of public and private provision is seen clearly. These debates are of particular relevance to women who, because of the nature of their employment patterns and their involvement in a variety of caring activities, are especially vulnerable to the experience of poverty and low income in old age.

This edited collection of 13 chapters contributed by leading scholars examines the position of women and their pension arrangements in six 'liberal' welfare states. Through these 'case studies' and several overview chapters the authors demonstrate a consistent pattern of the 'feminisation' of poverty in later life. However, the contributors also look behind this broad generalisation to demonstrate the differential impact of factors such as class and ethnicity upon women's income levels in later life. It is clearly inadequate to deal with 'older' women as a single, homogeneous group. Rather we must develop a more sophisticated analysis to incorporate issues such as class, age and ethnicity. Several authors also consider the influence of 'cohorts' by considering the likely pension situation for future generations of elders. Whilst future cohorts may be less handicapped by 'caring' responsibilities, changes in pension legislation is likely to have a differential impact upon those who are employed part time or have interrupted working careers. Overall this is an excellent book that is extremely timely, highly policy relevant and well written and organised. It should be of interest to many colleagues; especially those concerned with issues of social policy, feminist studies and gerontology.

Christina Victor

Ethics and Social Security Reform, edited by Erik Schoffaert (International Studies on Social Security, vol 7, Aldershot: Ashgate).

This volume, published for the Foundation for International Studies on Social Security has thirteen chapters ordered into three parts. The idea of the volume is that ethics enters into social policy in various ways. Most obviously it enters in the concepts and definitions that guide the principles of social policy. Secondly, ethical considerations are important for the political feasibility of different forms of social policy. Thirdly, they enter into our evaluation of the successes and failures of different social policies.

The first part contains five essays. Schokkaert's essay suggests social institutions can be evaluated in terms of positive and negative liberty, though the former turns out to be welfare understood as avoidance of poverty, and negative freedom turns out to be personal responsibility and privacy. Westerhall's essay is a good case study of how changing a social policy may bring about inconsistencies, here with regard to the employed and unemployed in Swedish sickness benefit. Burgess points out how refugees are treated so differently in different countries raising questions about the natural scope of equality. The importance of ethical issues in the framing of problems is brought out in two essays on the measure of poverty. The first essay is by Robert Haveman and Melissa Mullikin and the second is by Jonathan Bradshaw. There are a number of different ways of measuring poverty and the choice of index will lead to different measures of the level, the distribution and the trend of poverty with obvious policy implications. As with Schokkaert, Haveman and Mullikin favour Sen's capability approach though how well they operationalize this concept is questionable. Bradshaw discusses absolute poverty measures, though does not take enough account of the relative wealth and moral expectations of different nations.

The two essays in the second part deal adequately with moral expectations. Saunders' and Pinyopusarek's table (Table 2.1.4) shows that the Australians they sampled have similar views about the state's treatment of different categories of unemployed people, with about a third thinking the state has got it about right, while one quarter think the state does too much or not enough (the rest are 'don't know's). The only categories that stand out are the older unemployed (over 50) where few think the state does too much, and over half think the state does too little; and migrants where only about 10% think the state does too little. The tables also show that most people think that the unemployed should show they are looking for work. The tables provides few surprises and the analysis in terms of cultural theory categories does not add much.

The third part evaluates different institutional structures for the provision of social policy. The six chapters in this part are a rather mixed bunch of essays mostly considering social policies and labour market participation. The first three concentrate on the different incentives which are produced by different social policy schemes. The best of them, and probably the best essay in the collection, is by Barbara Wolfe, who discusses a scheme in Wisconsin which attempts to reduce dependency by those receiving state assistance. Providing work incentives for benefit recipients while providing a safety net and high marginal rates of taxation is problematic. She suggests that a complex strategy consisting of a mix of health care, full employment practices, training, loans and so on will best be able to overcome these problems. But the reader is left with the impression that a careful analysis (along the lines of her study of Wisconsin) of her own recommended strategy if ever it were to be put into practice would reveal a whole host of similar problems. Indeed, this impression is gained for most of the recommendations of the writers in this part. Each author analyses some current social policy and then thinks of potential answers which may overcome particular problems; but there seems little to assure the reader that other problems, not considered by the would-be reformer, have been addressed properly.

The volume gains through being consciously theoretical whilst examining practical policy problems, and gains through being comparative across nations. The impression that is left, however, is that whilst ethical attitudes are obviously important to the development and implementation of social security, no-one in the volume, and no nation in the world, has come to terms with different and competing ethical demands. Either some demands must be left unsatisfied, or more radical departures from the standard answers are required which give basic security whilst allowing good market principles and self-determining incentives to exist.

Keith Dowding

Mohibur Rahman, Guy Palmer and Peter Kenway, *Monitoring poverty and social exclusion 2001* (Joseph Rowntree Foundation, 2001, ISBN 1 85935 069 0).

“This report provides updated statistics for 50 indicators which between them portray the key features of poverty and social exclusion today in Great Britain. Whilst income is the focus of many of the indicators, they also cover a wide range of other subjects including health, education, work, and engagement in community activities. Each indicator is presented on a single page, and comprises two graphs: one showing how the indicator has changed over time

and the other typically showing how the indicator varies between different groups within the population” (p.5).

The report lists improvements in education, in housing, and in some aspects of health, but identifies continuing areas of concern, many of which relate to income levels and inequalities. Particular concern is expressed that children are more likely than adults to live in low income households, and that two million children live in workless households. “From a monitoring perspective, the two key questions are first, whether the [Government’s] initiatives are collectively sufficient to address the scale and depth of the problems over time and, second, how successful they are in helping the more disadvantaged to catch up – or at least keep up – with the rest of society” (p.8).

Of interest to readers of this journal will be the fact that the number of people on means-tested benefits fell from 1995 to 1999 and then rose again in 2000 (with the replacement of Family Credit with the means-tested Working Families Tax Credit in October 1999). The executive summary misleadingly records a fall (an ‘improvement’) in the number of people on means-tested benefits from 1999 to 2000. (It is only a fall if the tax credit is ignored).

What of course does *not* appear in reports such as this is the percentage of families on Child Benefit because that is always nearly 100%. Thus the beneficial effects which Child Benefit has (e.g., disproportionately increasing low incomes and thus reducing income inequality) are not give the recognition which they are due. Maybe future editions could give some recognition to the effect of Child Benefit on income inequality and to the way in which it enhances the incomes of many low-paid families without creating labour market disincentives.

The Joseph Rowntree Foundation is to be commended on this excellent publication.

Viewpoint

Debunking weasel words: ‘Targeting’

Governments often use words which have little or no meaning, relying on the public to invest them with the meaning that they, the public, wish them to have. Such a word is 'targeting'. The current Labour Government has said that it “will target its limited resources on those who need them most”. Let's test my hypothesis here. Write down what this statement means to you. To a

trusting citizen, who assumes that the Government will carry out its responsibility to the less fortunate in society, he or she might interpret this statement to mean that whilst the Government reluctantly is unable to institute a basic income for everyone, it will make sure that poverty is eradicated, or at least that those most at risk of poverty are relieved of their condition. So, what is promised in such a statement? Let us look at the verb 'to target' first of all. This means 'to label something to be aimed at'. What is the criterion for those who need it most? Might it be their costs of disablement? On the other hand, women and children are another obvious group at risk of poverty, and increasing child benefit would be a welcome cure, but that has not been hinted at. The statement does not say how large this target will be. The Government has not committed itself to *all* of those in need, merely “those who need it most”. How many? Will it be 3,000 people, or 30,000, or 3,000,000?

What will the Government do for those who have been identified as those who need the resources most? Will it ensure that they are lifted out of their state of neediness? The Government's statement does not make any such promise. And finally, what of those who fall just outside the definition? They too are in a state of neediness. Will their needs be met? Again, there is no such promise. In fact, the record of recent governments does not give one much hope of help for them, since governments have on occasion required the less poor to pay for the relief of those in greatest need. So much for 'targeting' - an empty phrase. So, next time you hear a Government minister, or a senior civil servant, claim that they are targeting the resources on those who need them most, make sure that you ask them, a) what criterion is being used to identify those who need it most, b) how many will be targeted, c) how much will be done for those so labelled - will they be relieved of their neediness? d) what will be done for those who fall just outside the criterion, but who also are in need? Make sure that you get a written answer.

Anne Miller