

Citizen's Income *newsletter*

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Citizen's Income Newsletter

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Editorial

In this issue of the *Citizen's Income Newsletter* three of the book reviews are on the same theme: Taxation. We review the publications which have emerged from the Mirrlees review, a collection of classic papers on taxation, and a collection of conference papers. All of these volumes are essential reading for anyone wishing to gain an understanding of the development of the

study of the economics of taxation, of the different types of tax available to a government, and of some of the options for reform facing the UK tax system.

However, when the reviews are read together they reveal a serious gap. Whilst in the Mirrlees Review publications, and in the other volumes reviewed, there is occasional reference to means-tested benefits, none of them contain sustained discussions of the differences between means-tested, contributory and universal benefits and of the different effects of these different benefits. None of them study the combined effects of the tax and benefits systems on the income maintenance structure for a population.

This matters. The structure of net incomes, the behaviours of their components, and those components' combined effects on the many different aspects of people's lives, are arguably far more important than the characteristics and effects of tax systems studied alone. It is the systems working together which need to impose as little administrative complexity as possible on individuals, households, employers, and governments; and it is the systems working together which need to impose as few labour market, savings and other disincentives as possible. Genuine tax credits would be a step in the right direction (by which we don't mean the means-tested benefits which the Government calls Tax Credits). Even better would be a Negative Income Tax. But better than that would be a universal, nonwithdrawable and unconditional benefit alongside a progressive tax system. This would be economically and administratively efficient, and it would impose the fewest possible disincentives.

It would be a pleasure to see this option as both the subject of a major review process and of future edited collections of classic and newly written papers.

Main article

Passported Benefits and a Citizen's Income

By Anne G. Miller

Passported benefits

The Government's Social Security Advisory Committee's press release of 15 June 2011 heralded a 'Public Consultation: Passport Benefits under Universal Credit – review and advice.' In a footnote, the press release stated:

By Passported Benefits we mean those benefits to which working-age claimants of certain means-tested benefits are automatically entitled. For example, free school meals, free prescriptions, free dental treatment, etc.. We will consider the range of Passported Benefits available to working-age claimants but the recommendations will focus on the main Passported Benefits. We are particularly interested in receiving views about benefits in kind but welcome responses relating to cash benefits and discounts as well.

In this short article, I briefly examine the concept of Passported Benefits (PBs) as presented in the consultation document of the Social Security Advisory Committee (SSAC) (<http://ssac.independent.gov.uk>). Then I examine whether these needs would be met already within a CI scheme, or whether special arrangements would have to be made.

Passported benefits in the consultation document

The SSAC's consultation document's Annex B gives the consultation's Terms of Reference:

The purpose of the advisory report is to analyse the range of passported benefits ("benefits") which currently exist in order to:

- classify the target audience(s) for these benefits;
- identify the needs which those benefits address, and the wider policy objectives served by them now and in the future;
- identify and analyse the mechanisms that are currently employed to determine entitlement;
- consider the potential impact of changes in eligibility rules.

(The document's annex A comprises the table on the next page)

The *target audience* (recipients) for PBs comprises working-age claimants who are in receipt of certain means-tested benefits (MTBs), such as Jobseeker's Allowance and certain Tax Credits. It can therefore be assumed that the recipients are poor, and that many of them will be living in poverty.

The *purpose of the benefits* appears to be to support low-income households, whether out-of-work or in-work, in specific ways. Some are designed specifically to help low income people meet the ordinary costs of raising children (Healthy Start Vouchers, free school meals, and school clothing grants).

Some PBs address *exceptional circumstances* that lead to extra expenditure, such as Exemption from Court Fees, Help with Prison Visiting Costs, and Legal Aid. These are circumstances that most of us do not experience as a matter of course. Educational Grants to enable gifted children to receive special training, for instance, in music and dance, provide another example. The travel costs associated with healthcare, and School Transport provision for those in rural areas, also fall into this category.

Many PBs can be seen as *part of wider policies*, often representing an investment in the future, (eg. our children's health and education), and in the general health of the population (through free prescriptions, eye and dental care, leisure services and healthcare travel costs), thereby reducing future National Health Service bills. Similar considerations apply to the environment, such as Warm Front, and bus and tram discount schemes. Others represent an attempt to redress failures of public policy.

Benefits-in-kind are often controversial, because they offer no choice compared with cash benefits. Cash benefits permit the consumer the autonomy that most of us enjoy. Sometimes it may be cheaper to give benefits-in-kind rather than cash, but often it is a case of controlling benefit recipients because they are not trusted (rightly or wrongly) to select what others regard as best for them.

An interim statement says this:

The information-gathering phase of the Social Security Advisory Committee's review has found that more than 25 different passported benefits are provided by government departments and through local authorities. The committee's findings to date confirm that passported benefits are viewed by many respondents as fulfilling important needs. The consultation found that the value placed by claimants on individual passported benefits differs depending on their personal circumstances; respondents' views on the withdrawal and delivery of passported benefits were mixed. For example, some respondents supported a tapered withdrawal whilst others favoured a timed withdrawal when a claimant moves into work; and the design of passported benefits should incentivise people to both move into work and stay in work. (Hansard, 5 Oct 2011, Column WS75, Written Statement on Universal Credit)

The final report will be published in the Spring.

The consultation document's Annex A: A list of main passported benefits and responsibilities

Benefits in kind	Cash Benefits	Discounts on charges or fees
<i>Responsibility of Government Departments</i>		
Benefits from the Pupil Premium (Department of Education)		
Exemption from Court Fees (Ministry of Justice)	Help with healthcare travel costs (Department of Health)	
Free School meals (Department for Education)	Help with Prison Visiting Costs (Ministry of Justice)	
Health goods/services, e.g. free prescriptions/eyecare/dental care (Department of Health)		
Healthy Start Vouchers (Department of Health)		
Legal Aid (Ministry of Justice)		
Warm Front (Department of Energy and Climate Change)		
<i>Responsibility of local authorities</i>		
Help with the costs of school visits	School clothing grant (cash/cheque)	Bus and Tram Discount Scheme – London (Transport for London)
Leisure services, e.g. free swimming		Leisure discounts
School clothing grant (vouchers)		
School Transport		
<i>Responsibility of other bodies</i>		
Leisure services		BT Basic (BT)
		Leisure discounts
		Warm Home Discount/Voluntary Social tariffs from utility companies e.g. WaterSure

Citizen's Income and passported benefits

Our question is, 'Are the needs addressed by PBs already accounted for in a typical CI scheme, and, if not, should they be, and how?'

A Full Citizen's Income (FCI) would be expected to be adequate to meet the needs of the recipient, including people over pension-entitlement age, people with disabilities, carers of last resort, and the responsible parent of a dependent child. The more generous the

scheme, the more likely this is to be true. Thus, if the FCI and Child CI (CCI) are sufficiently generous, then Passported Benefits should not be necessary. If they were necessary, then it would represent a failure of the scheme.

A Partial Citizen's Income (PCI) would not meet all of the needs of the recipient and would not be enough to live on. With this scheme, where *exceptional needs* are indicated, the PBs should continue. But, the question arises: 'Should all those with the exceptional needs receive these benefits, or only the poorest?' If the latter, *how do we identify those on low incomes?* – because everybody would be in receipt of a Partial Citizen's Income, so the benefit would not act as a passport to PBs. As the PCI would not be enough to live on, it would need to be topped up with other income, usually through earnings. There will be some individuals who are unable to obtain even part-time work, and there will be some areas that suffer from multiple deprivations, where opportunities for work are thin on the ground. There will therefore have to be safety-net arrangements, and a simple scheme, possibly in the form of a Housing Benefit, would have to remain. Thus, those receiving a PCI and who are also receiving Housing Benefit or some other safety-net assistance could be eligible to receive PBs.

The largest group in the population with exceptional circumstances are those with a variety of disabilities, and a CI scheme would grant to all of these, without any means test, a costs-of-disabilities package (for constant care, mobility, special diets, etc.) in addition to their CIs. Here, the receipt of the package could act as a passport to other PBs.

Where the PBs are seen to be part of a *wider policy*, one must question whether the PBs for low-income, working-age adults, and especially *benefits-in-kind*, are the best way to achieve the objectives. Investment in the early years of childhood is known to pay large dividends to society later, in terms of healthy, well-adjusted adults. Notwithstanding adequate FCIs and CCIs, maybe benefits-in-kind, such as Healthy Start Vouchers, and free school meals, should be universally available to all children. As well as education projects to inform people about healthy diets and lifestyles, other instruments might be necessary, such as subsidies on fresh fruit and vegetables, and taxes on processed food with significant proportions of fat, salt and sugar. A CI is not a panacea for all social ills, and, where other public provision is made, it will usually be

better to get the policy right in the first place, rather than to use benefits to paper over the gaps.

Universal schemes, such as the NHS, and universal benefits such as Child Benefit, are popular, inclusive, and redistributive. If a generous CI scheme were to be introduced, one might find that expenditure on other public services, such as health and the criminal justice system, would fall significantly, especially where those systems combat the effects of poverty. As with most things, it is cheaper to prevent poverty than to deal with its fallout later.

News

The **Pensions Policy Institute** has published a report: *An assessment of the Government's options for state pension reform*. The report concludes that the Government's second option, a single tier state pension, 'would dramatically reduce the number of pensioners reliant on means-tested benefits. The proportion of pensioner households eligible to claim Pension Credit could fall from 35% of pensioner households (4.4 million pensioners) in the current system to only 5% of pensioner households (0.8 million pensioners) by 2055. The reform would be broadly cost neutral to introduce. To read the report, go to:

www.pensionspolicyinstitute.org.uk/default.asp?p=12&publication=0296&

A new think tank, **Green House**, has published a report entitled *Mutual Security in a Sustainable Economy*, by Molly Scott Cato and Brian Heatley. The authors argue that the benefits system needs to be taken out of the context of a neo-liberal market economy and re-considered afresh against the reality of the coming sustainable economy. They call for a new definition of poverty, a system based on individuals, the abolition of a retirement age, greater thrift, an emphasis on traditional skills for self-reliance, and a Citizen's Income. To read the report, go to: www.greenhousethinktank.org/page.php?pageid=recentpublications

The **Institute for Fiscal Studies** has published a report on *Child and Working-Age Poverty from 2010 to 2020*. 'In the short run, relative child poverty is forecast to remain broadly constant ..., before rising slightly in 2013-14. Relative working-age adult poverty is forecast to rise slightly ... before rising faster in 2013-14. Absolute child and working-age adult poverty are forecast to rise continuously, and by more than relative

poverty, over this period.' (p.1) This unusual combination is because 'real median household income is forecast to be 7% lower in 2012-13 than it was in 2009-10, and to remain below its 2009-10 level until at least 2015-16.' The report concludes that 'there is almost no chance of eradicating child poverty ... on current government policy.' (p.3) www.ifs.org.uk/publications/5710

The Organisation for Economic Co-operation and Development (OECD) has issued a new report, *Divided We Stand: Why inequality keeps rising*. 'In OECD countries today, the average income of the richest 10% of the population is about nine times that of the poorest 10% – a ratio of 9 to 1. However, the ratio varies widely from one country to another. It is much lower than the OECD average in the Nordic and many continental European countries, but reaches 10 to 1 in Italy, Japan, Korea, and the United Kingdom; around 14 to 1 in Israel, Turkey, and the United States; and 27 to 1 in Mexico and Chile. ... Until the mid-1990s, tax-benefit systems in many OECD countries offset more than half of the rise in market-income inequality. However, while market income inequality continued to rise after the mid-1990s, much of the stabilising effect of taxes and benefits on household income inequality declined ... Reforming tax and benefit policies is the most direct and powerful instrument for increasing redistributive effects. ... However, redistribution strategies based on government transfers and taxes alone would be neither effective nor financially sustainable. First, there may be counter-productive disincentive effects if benefit and tax reforms are not well designed. (*An Overview of Growing Income Inequalities in OECD Countries: Main Findings*, 22, 37, 40). www.oecd.org/els/social/inequality

Conferences

The eleventh Annual North American Basic Income Guarantee Congress, Putting Equality back on the Agenda: *Basic Income and Other Approaches to Economic Security for All*, will take place from Thursday May 3rd to Saturday May 5, 2012 at the University of Toronto. Speakers will include Richard Wilkinson, Co-Author of *The Spirit Level*, and Armine Yalnizyan, Senior Economist with the Canadian Centre for Policy Alternatives. If you are interested in presenting a paper, organising a panel, or

displaying a poster, please contact the organising committee at basicincome2012@gmail.com. The deadline for proposals is the 13th January 2012.

The BIEN Congress 2012

Citizen's Income Trust bursaries

The next Basic Income Earth Network (BIEN) Congress will take place in Munich from the 14th to the 16th September 2012. (Please note the correct dates. The dates published in the last edition of the *Citizen's Income Newsletter* were incorrect).

The Citizen's Income Trust is offering up to three bursaries of £500 each to Congress participants who live in the United Kingdom and/or are staff members or students at UK universities, to enable them to give papers at the Congress.

The bursaries will be awarded to those whose papers have been accepted for presentation at the Congress and who, in the view of the Citizen's Income Trust's trustees, have submitted the best abstracts and draft papers to the Trust.

The paper should be on philosophical, political, economic or social aspects of moving towards a Citizen's Income. Draft papers, including an abstract, should be submitted by the 31st January 2012.

Please submit your abstract and draft paper to the Director, Dr. Malcolm Torry, whose contact details can be found on page 1.

Interview

Social insurance is not for the Indian open economy of the 21st century

This interview with Guy Standing first appeared in *The Times of India, Crest edition, 9th July 2011*, and we are grateful for permission to reprint it. For the original interview, please see www.timescrest.com/opinion/social-insurance-is-not-for-the-indian-open-economy-of-21st-century-5775.

The interview was conducted by Rukmini Shrinivasan

Guy Standing is professor of economic security at the University of Bath, before which he was director of the ILO's Social Security Programme. He is also co-president of the Basic Income Earth Network (BIEN).

You have become a strong advocate of cash transfers. Why so?

From my point of view, cash transfers are an essential pillar of a comprehensive social protection system. Social insurance was for an industrial society; it's not for the Indian open economy of the 21st century. You can't have unemployment insurance - it doesn't reach the poor. You can't have a means-tested system because we've seen the problems with it. So, you're going to need to have some basic income transfer. The technology to do it is rapidly emerging - in some respects, India is becoming a world leader in this - and rolling this out within the next few years is certainly within the capabilities of the Indian state, if there was a will to do so.

I think cash transfers should be seen as whether they're good or bad in themselves. They should not be discussed as an alternative to any specific policy. I do not think it is fair or correct to see this debate around cash transfers as a substitute for something else such as the public distribution system (PDS). I may have my criticisms of the PDS but they are separate from the reasons why I think cash transfers are good.

That may apply to cash transfers in general, but a general income cash transfer is not on the policy table in India right now. The only cash transfers that are being discussed within the government are those that replace subsidies.

I agree, but then there should be a proper debate. Clearly, there are chronic inefficiencies in the existing subsidy system. It goes right across the board, and anybody who defends that system is just charging against a volume of evidence that says it is chronically inefficient and inequitable and it is not solving poverty. The Prime Minister knows that, Sonia Gandhi knows that. If we know that there are very good reasons why a scheme doesn't work, then it is intellectually reprehensible to continue in that direction.

But many of the problems in the PDS can be traced to targeting. The state of Tamil Nadu, which has a universal PDS, has both the best record of reaching beneficiaries and the lowest leakages. Why then are cash transfers the natural direction in which you look, rather than universalisation of the PDS?

I don't know enough about Tamil Nadu, so I'm not going to say anything. Sure, you could universalise if that's what works. But, I don't think that's an argument against cash transfers.

Even if it's a targeted or conditional cash transfer, as is currently being proposed in India?

I really hope that the conditionality issue can be defeated; I think that's the wrong way for India to go. One just imagines the scope for corruption and inefficiency; the mind boggles. I also hope that the simplicity and transparency of cash transfers will be appreciated for what it is. I hope that policy makers will look at food security as just a small part of overall security. We saw food security improve dramatically in a universal cash transfer pilot programme in Namibian villages as a result of not handing out food, but people having cash by which they could buy seeds and grow things.

You and the BIEN repeatedly talk of a universal income transfer. However, when this is operationalised by countries like Brazil, they do impose conditions and targeting. Isn't it disingenuous to continue to talk of a universal income transfer when countries take up only a targeted version?

The whole of my professional career, I have advocated universalised and unconditional social protection and cash transfers. You are right that in Brazil, it was not only targeted in trying to reach just the poor, but it was also selected in trying to reach just women. It was not universal and it was conditional. The realisation was that the conditionality - sending kids to schools and attending clinics - was merely helping to legitimise the cash transfers among the middle class. But in 2004, Brazil passed a law committing the government to implement a universal, unconditional cash transfer for the whole population. The objective has been to roll it out and the number of beneficiaries has risen from 11 million to 60 million and the conditionality is being faded out. I foresee that something like that could happen in India.

What was the impact of the basic income cash transfer pilot in Namibia that you were a part of?

Child school attendance went up dramatically, use of medical clinics went up. Those with HIV/ AIDS started to take ARTs (Antiretroviral Therapy drugs) because they'd been able to buy the right sort of food with the cash. Women's economic status improved, and the economic crime rate went down. Income distribution improved. This is very relevant in India because with your existing handout of goods and even with NREGA, you don't alter the structure of local economies; in fact, you almost rigidify them. If you provide an equal amount of cash to all members of a community, you are automatically giving

proportionately more to the poor. If you do that, you release the constraints that are on the lower income groups - they can pay off their debts, they can take risks, and they can buy things that they need for petty production.

Are there pilot schemes going on in India?

Social protection policy develops best when it builds on pilots, because pilot schemes allow institutional learning. There is no one-size-fits-all solution. The scheme that may evolve in the Indian context may be unique - we don't know yet. But what would be sensible is if there were calm, collected, quiet pilot schemes that were tried out with good principles, were professionally advised, developed, and implemented - without fanfare, without misrepresentation. I'm afraid that at the moment, the political polemic is making sensible piloting harder. Too many people are posturing and are keen to disrupt sensible, well-meant pilots being conducted. It is not in the interests of anybody that pilots be disrupted or prevented. The Delhi situation seems to have fallen into that trap and I think it's very sad.

The Delhi Pilot

The Delhi government, in 2010, appointed the Self Employed Women's Association (SEWA) and the India Development Foundation to conduct a pilot study into cash transfers as a possible alternative to the Public Distribution System (PDS). The pilot, which began in January 2011, will run for one year in West Delhi's Raghuraj Nagar slum.

100 households volunteered for cash transfers and will receive Rs 1,000 per month but will have no access to the ration shop. Another 100 volunteer families will only get a bank account and will continue to use the ration shop. The third volunteer group of 150 families will neither receive cash nor a bank account and will have to use the ration shop. The last group is of 150 families who did not want cash transfers and will not receive it. All cash transfers will be made in the name of the woman of the family.

The pilot will study the consumption, expenditure, and nutrition of the four groups and compare them against each other to determine the impact of cash transfers, and will submit its findings to the government.

However, the pilot programme has faced serious opposition from NGOs opposed to cash transfers. Members of these groups distributed pamphlets in the slum warning that participating in the pilot would lead

to ration shops shutting down, and disrupted public meetings held by SEWA in the area. The pilot continues. RS

Reviews

Stuart Adam et al (eds), *Dimensions of Tax Design: The Mirrlees Review*, Oxford University Press for the Institute for Fiscal Studies, 2010, xii + 1347 pp, hbk, 0 19 955375 4, £90

Stuart Adam et al, *Tax by Design: The Mirrlees Review*, Oxford University Press for the Institute for Fiscal Studies, 2011, xvii + 533 pp, hbk, 0 19 955374 7, £45 (both volumes £110)

***Fiscal Studies*, vol.32, No.3, September 2011: a special issue on the Mirrlees Review**

The completion of the Institute for Fiscal Studies' review of taxation, chaired by Sir James Mirrlees, Nobel Laureate and proposer of a theory on optimal taxation, has given rise to three valuable volumes.

Dimensions of Tax Design contains thirteen papers given at conferences organised as part of the review, along with numerous associated commentaries. It would be difficult to envisage a more comprehensive discussion of UK taxation policy, and even if there had been no outcomes of the review beyond this collection of papers, then the review would still have been worth conducting.

Of particular interest to readers of this *Newsletter* will be the paper on 'Means-testing and Tax Rates on Earnings'. Unfortunately, the paper starts off badly, as it suggests that there is 'a trade-off between the goals of equity and efficiency: governments want to transfer resources from the rich to the poor; on the other hand, such transfers reduce people's incentive to work' (p.91). This is patently not true of Child Benefit. It is only true of means-tested transfers. The rest of the paper is better informed, and, on the basis of the evidence, it recommends that 'marginal rates ... when people enter work should be set low (and perhaps even negative) for potential low earners rather than set high as the standard model suggests' (p.91). The authors recommend a scheme which looks rather like Universal Credit (pp.150-62). Also of interest will be the papers on labour supply and taxes, on the tax base for direct taxation, on administration and compliance, and on the political economy of tax policy.

Nowhere in the collection is there any discussion of Child Benefit. This is a major omission.

The review's conclusions are contained in *Tax by Design*, the title itself suggesting that a piecemeal approach to taxation policy needs to be replaced by a more co-ordinated approach. Of particular interest will be the chapter on integrating tax and benefits, which can't find a good word to say about either our current benefits system or Tax Credits. Again, there is no mention of Child Benefit. The authors propose that Income Tax and National Insurance Contributions should be integrated, that benefits should be integrated with each other, and that tax and benefits should remain separate but their behaviours studied together. These suggestions reappear in the report's final conclusions, as does the suggestion that effective tax rates should be lowered for low earners. 'The current tax and benefit system is unnecessarily complicated and induces too many people not to work or to work too little. By creating a simpler and more rational system, minimizing disincentives where they matter most, the reforms we propose have the potential to deliver major economic gains' (pp.483-4). Yes; and to have asked about the current effects of Child Benefit, the likely consequences of increasing its value, and the likely effects of extending universal benefits into working-age cohorts, would have enabled some even more important overall effects to have been achieved.

The September 2011 edition of *Fiscal Studies* repeats the recommendations contained in *Tax by Design*. It contains a comparison of *Tax by Design* with the Meade Report of 1978 and with taxation reviews in Australia and New Zealand (where government sponsorship of the reviews has resulted in less radical proposals but ones which might have more chance of immediate implementation); and a comparison of *Tax by Design* with recent literature in the field. It also contains an article which employs *Tax by Design's* systemic and revenue-neutral approach to question some of the report's conclusions, including its suggestion that effective tax rates should be lowered for people potentially or actually in low-paid employment.

We are in the review team's debt for their committed work on a wide-ranging review. The two volumes and the September edition of *Fiscal Studies* will inform debate on tax policy for many years to come. However, one omission does need to be remedied. The Mirrlees Review did not review income maintenance, and it should have done. In particular, there is no study of the

different effects of contributory, means-tested and universal benefits, nor of the ways in which they interact with each other and with the tax system. We now need to see income maintenance tackled by a review team with the same level of expertise and the same resources as the Mirrlees Review.

Emilio Albi and Jorge Martinez-Vazquez (eds), *The Elgar Guide to Tax Systems*, Edward Elgar, 2011, xi + 462 pp, hbk, 0 85793 388 1, £145

The editors' introduction to this volume of thoroughly researched conference papers shows just how much has changed in OECD tax systems during the past few decades: flatter income tax rates, ubiquitous VAT, the almost complete disappearance of wealth taxes, a substantial reduction in excise duties, and much more. The separate chapters discuss the reasons for these changes, and also such fields as corporate taxes, environmental taxes, decentralized taxation, tax administration, and the relationships between tax policy, politics, and research. The important debates within taxation policy are discussed: the balance between direct and indirect taxation; different types of taxations' relationships to economic stabilisation, growth, competitiveness, and income redistribution; whether capital income should be taxed (yes, minimally); how viable (national) corporate taxes are in a globalizing world; whether the decline of wealth taxes and of excise duties is inexorable; how VAT and environmental taxes are best designed; whether anything other than a property tax is a good candidate for subnational taxation; and the extent to which administrative feasibility should drive taxation policy. The final two chapters tackle two different influences on tax system reform: politics, and research. The authors conclude that political considerations are important determinants of tax systems, and particularly of their complexity, and that research is more likely to follow policy change than to lead it. Given this, the researcher's task 'is the long-term game of building up the institutional capacity both within and outside governments to articulate relevant ideas for change, to collect and analyze relevant data, and of course to assess and criticize the effects of such changes as are made' (p.443).

Of particular interest to readers of this *Newsletter* will be chapter 3 on individual income taxation. True tax credits are correctly understood as income tax allowances which are paid out proportionately to the

amount that earned income falls below a threshold, and these are rightly seen as enhancing progressivity and as being efficient to administer. (The UK's current 'Tax Credits' are a means-tested benefit, and not tax credits.) 'To the extent that all tax credits and exemptions were made refundable, this would turn the income tax system into a full-fledged negative income tax system,' (p.105). The chapter identifies as problematic both income transfers not delivered through the tax system, and tax credits which change with a household's circumstances. It notes that enhancing refundable tax credits delivered through the tax system to complement stand alone transfer programs could go some way to alleviating poverty in the lower income range (p.106). This is a lesson that the UK Government learnt during the early 1970s, but has forgotten since.

At a point in the discussion at which the UK's Child Benefit might have been discussed (where universal education provision and the Child Trust Fund *are* discussed), there is no mention of it; and what I didn't find in this collection was any understanding of the administrative and other efficiencies related to a combination of universal benefits and a progressive income tax. This is a pity in such a wide-ranging collection.

Positively important to the Citizen's Income debate is the light which this collection throws on a variety of possible funding methods. The chapter on environmental taxes is relevant, as is the mention of land tax (p.337). What isn't in the collection is any discussion of a field which will one day be important: transnational taxation. There is now wide recognition of the possible utility of a 'Tobin' financial transaction tax, including the European Commission's welcome recognition that this kind of taxation would best be administered at regional level, and therefore by the EU. Any future collection of papers on taxation policy really will need to discuss the feasibility of transnational tax collection and whether a financial transaction tax might fit into this category.

Perhaps it isn't fair to say too much about what a book hasn't done when it's done so much already. The book discusses many of the issues facing tax systems and attempts to reform them, and it will be of considerable value both to policy-makers and to students of taxation policy.

James Alm (ed.), *The Economics of Taxation: The International Library of Critical Writings in Economics 251*, Edward Elgar, 2011, 2 volume set, xxxvii + 592 pp, and x + 695 pp, hbk, 1 84844 829 2, £435

The title of the series to which these volumes belong contains an important ambiguity. A critique is a careful examination of a subject, so a critical writing is a careful study of the subject under review; but in common parlance 'critical' also means 'significant'. (We might say that the title of the series contains a critical ambiguity.) It is in this double sense that the writings contained in these volumes are 'critical'. They are careful studies of aspects of taxation, and they are also significant, in relation to the study of taxation, in relation to the social policy field as a whole, and because they have been seminal in their field.

As the editor's introduction states, taxation policy has multiple goals: adequacy (to collect enough revenue – we see the consequences of not doing so in the current plights of a number of Eurozone countries), equity, and efficiency (in the sense that taxation should interfere as little as possible with firms' and individuals' decisions in markets for labour and other commodities).

The papers collected in these two volumes fall into sections on the effects of taxation (equity, income distribution, efficiency, revenue collection, economic growth, and politics), optimal taxation, tax reform, individuals' decisions (in relation to incentives, labour supply, saving, portfolio choice, capital gains, estate taxes, tax evasion, and income reporting) and business decisions (in relation to capital taxation, investment, and financial structure). Many of the papers, and the collection as a whole, offer a good balance between theory and practice. A good example of such balance is Fullerton's paper 'On the possibility of an inverse relationship between tax rates and government revenue' – and it is in this paper that we find a clue to an important problem related to any attempt at a collection of papers on taxation. 'Welfare programs that make recipients ineligible at a given income level imply effective marginal tax rates of 100 percent or higher' (p.20 of Fullerton's article, p.272 of volume I of the collection). For UK residents in receipt of the means-tested 'Tax Credits', the rate of withdrawal of the benefit is at least as important a determinant of labour market decisions as is the income tax rate. Similarly, Slemrod's conclusions about behavioural responses to changing tax rates and changing tax

avoidance possibilities apply as much to benefit rates and income non-declaration as they do to tax rates and tax avoidance. Hausmann's paper on labour supply correctly identifies transfer payments' effects on net income as an important factor (p.37 of his article, p.27 of volume II of the collection). All this is to say that many of the conclusions drawn in the papers are generalizable to the characteristics and effects of means-tested and other benefits, and to the combinations of benefits and taxes that many people experience. To incorporate consideration of household-based means-tested benefits into the theoretical models employed by many of the papers (and particularly in papers such as Atkinson's and Stiglitz's on the design of tax structures) would considerably complicate the mathematics, but it is surely essential to attempt this, which suggests that many of the papers here really are, as they themselves suggest, starting-points still awaiting further development.

It is a pity that this two volume collection contains no index. To have included one would have considerably enhanced usefulness of the set to researchers. But that is the only problem. This collection, which will be consulted mainly in libraries, will give to students of taxation a valuable source of critical writings to aid their studies. What we need now is a similar collection of papers which study tax and benefits systems together, which study their combined behavioural effects, and which discuss the policy consequences of those effects. Atkinson's work on a flat tax and a Citizen's Income would surely find an honoured place in such a collection.

Policy-makers need to integrate tax and benefits policies, and preferably tax and benefits. A collection on the economics of tax and benefits as good as Alm's on the economics of taxation would be of considerable assistance.

Policy and Politics, volume 39, number 1, January 2011, Special issue: Basic Income, Policy Press, 2011, 144 pp, pbk, ISSN 0305 5736, online ISSN 1470 8442

This substantial collection of articles rehearses a plethora of arguments for a Citizen's income (here termed a Basic Income), arguments both pragmatic and visionary; and an important byproduct for the reader is a distinct sense that the pragmatic and the visionary are related in a way more complex than we might at first have thought.

Guy Standing calls a Citizen's Income an 'economic stabilisation grant' because it would boost aggregate demand, more efficiently allocate resources, and tackle uncertainty and rising inequality. As he suggests, times of crisis can lead to major change, and a failing paradigm can find itself displaced – but only if a new paradigm is ready to take its place (p.21):

One modest recommendation is that the emerging generation of economists and social policy students should urge their peers, and particularly the new political leaders, to match their rhetoric about being 'radical' by assessing genuinely radical ideas. Economics is a constantly unfolding body of thought, and those charged with implementing economic and social policy should face demands to think afresh and evaluate alternatives with open minds. (p.22)

Almaz Zelleke suggests that a feminist theory of justice requires a Citizen's Income, and that such a universal unconditional income would promote a more gender-inclusive citizenship. 'Most importantly, basic income indirectly compensates care and society's other unpaid work without reinforcing the existing gendered distribution of labour or the primacy of the public sphere by equating care with work' (p.38). Louise Haagh's following article notes the correlation between a country's level of equality and its citizens' control over their time, and seeks a balance between employment and non-employment which she believes would be best served by a Citizen's Income in a social insurance context.

Stuart White discusses two different 'citizen's endowments': a Citizen's Income, and universal capital grant. 'Freedom' and 'entitlement' arguments fail to separate the two options, and the way in which different 'freedom' arguments lead in different directions suggests that a combination of a Citizen's Income and a universal capital grant might be the best option. Leading to the same conclusion, Tony Fitzpatrick discusses the concept of paternalism, distinguishes between a variety of types, recommends a 'social paternalism' that prioritises autonomy but doesn't exclude other values, and suggests that a Citizen's Income and a universal grant together will best promote such a social paternalism.

Bill Jordan recognises that the UK Government's current benefit reforms as a useful step along the way to a Citizen's Income, and raises the question: Will a

small Citizen's Income, established to make labour markets more flexible, then be increased in order to create a new basis for citizenship, or will it remain small and fulfil only its initial purpose? 'The first steps towards basic income may become politically feasible for a variety of reasons, at a number of different developmental stages, all of which will also be perilous for the principle in various ways' (p.112) – but those steps should not for that reason be rejected: 'Social policy can seldom deal in pure principles or utopian solutions, and basic income is no exception. It cannot resolve all the challenges of globalisation ... in a single reform, but these measures may be a step in the right direction' (p.112).

Finally, Jürgen De Wispelaere and Lindsay Stirton study 'the administrative efficiency of basic income'. Identifying those people entitled to a Citizen's Income would be a necessary administrative task, and a variety of payment methods might be needed in order to reach the maximum number of payees, so administration of a Citizen's Income would not be as simple as some might think. The authors discuss a dilemma: 'Proponents can claim important administrative savings for basic income, *provided they restrict those arguments to the most radical paradigmatic form*, while simultaneously having to face up to the reality that this radical version of basic income may face insurmountable political obstacles' (p.121: their italics). De Wispelaere and Stirton also quite properly suggest that a Citizen's Income isn't the only way to make administrative savings: other forms of administrative simplification are possible, such as the sharing of information between tax and benefits authorities and aligning tax and benefits rules with each other.

To round off the substantive articles section of this focused and comprehensive edition of *Policy and Politics* with De Wispelaere's and Stirton's article, which concludes that 'administrative efficiency ... is ... political' (p.128), seems really quite appropriate.

Tony Fitzpatrick (ed.), *Understanding the Environment and Social Policy*, Policy Press, 2011, xviii + 366 pp, hbk, 1 847 42380 1, £65, pbk, 1 847 42379 5, £21.99

This is an exploration of the complex relationship between social policy and the environmental challenges which we all face, with social policy here defined as 'systematic public interventions relating to social needs, well-being and problems' (p.2) – and the

relationship really is complex because, whereas in the short term there might be a trade-off between money spent on protecting the environment and money spent on health, housing and education, in the longer term money *not* spent on protecting the environment will impact on health, housing and education. In the other direction, social policies in areas such as fuel poverty will have an impact positively or negatively on the environment; social policies have often been designed to promote economic growth, and this has an impact on the environment; and to redirect the aims of social policy will have an impact, too, and preferably one which will steer us away from the worst of the possible climate change outcomes.

In the first chapter Hodgson and Phillips describe the causes and implications of climate change and the depletion of non-renewable resources, and they discuss the different solutions available: mitigation, adaptation, geoengineering, and conservation. In chapter 2 Hannigan asks how ecologically valid solutions can be politically feasible when economic growth appears to be *the* political imperative. Any useful solution will therefore need to moderate consumption by the wealthy and provide a basic level of security for the poor so that they don't need to destroy the forests. In chapter 3 Fitzpatrick discusses environmentalists' criticisms of social policy's current presuppositions, and outlines a 'green economy' and the social policy agenda to which it would give rise (for instance: 'How can social insurance systems be adapted to cope with collective uncertainties?' (p.84))

Chapters follow on the state's (historically understood) role in environmental protection, environmental (consequentialist) ethics, philosophies (of environmental justice), and environmental policy (markets, regulation, and education); and then chapters on particular social policy fields: health, urban planning, transport, employment, citizenship and care, and international development and global poverty.

Fitzpatrick's concluding chapter is an eloquent description of the options facing us: a sustainable global society, the human race clinging to survival at the Earth's poles, and something between the two.

In Fitzpatrick's chapter on environmental justice there is a discussion of a Citizen's Income's complex relationship to environmentally sustainable social policy, and at various points social insurance and taxation are discussed, but there is no chapter on income maintenance. This policy area *is* discussed in

his *Freedom and Security* (Macmillan 1999) and in his *Environment and Welfare* (Palgrave 2002), but a chapter here would have aided our 'understanding [of] the environment and social policy'.

The proof reading is poor in places. A particularly nice error is Fitzpatrick's 'I promised to void complexities' (p.77).

This book does exactly what it sets out to do. It offers us understanding of the environment and social policy, and it does it well.

Daniel Dorling, *Injustice: Why social inequality persists*, Policy Press, 2011, xvii + 403 pp, pbk 1 847 42720 5, £9.99

Daniel Dorling's *Injustice* (reviewed in the *Citizen's Income Newsletter*, edition 3 for 2010) has been reissued in paperback with a new foreword by Richard Wilkinson and Kate Pickett and a new afterword by the author.

In the book, Dorling gathers evidence for 'continued belief in the tenets of injustice' (p.13): 'Elitism is efficient', 'exclusion is necessary', 'prejudice is natural', 'greed is good', and 'despair is inevitable' – tenets imbibed by the wealthy as they grow up, and which perpetuate them in power and perpetuate their power; and tenets in which many others acquiesce. Dorling persuasively argues that the result is growing inequality, and it is surely shocking that 'in countries such as Britain people last lived lives as unequal as today, as measured by wage inequality, in 1854, when Charles Dickens was writing *Hard Times*' (p.316).

Presumably Wilkinson and Pickett were asked to write the new Foreword because of the success of their book *The Spirit Level* (reviewed in the *Citizen's Income Newsletter*, issue 1 for 2010), which found that inequality (sometimes understood as income inequality, and sometimes more generally understood) was correlated to a variety of social ills. In their significant Foreword to *Injustice* they do as we suggested in a review in a previous edition of the *Citizen's Income Newsletter* (issue 1 for 2010), and have located the causes of inequality and of various other social ills in deeper social structures - social structures which they interestingly suggest have prehistoric and indeed pre-human origins.

Dorling's new Afterword is equally significant. The Coalition Cabinet contains more millionaires than any other in the last hundred years, and Dorling shows that

in the interests of the élite which they represent, Cabinet members are consistent exponents of the 'tenets of injustice'. He suggests that they have established a new higher education funding regime likely to restrict higher education to a social elite because they believe that elitism is efficient. Perhaps he's right.

The Afterword locates the cure for all of this injustice in changed beliefs, as does the original book, but there is little to suggest how this might be achieved apart from the idea that we should fortify ourselves for the journey by reminding ourselves that things have sometimes changed for the better. This lack of a prescription raises an important question: Do we change behaviour by changing beliefs, or is it the other way round? The process is probably circular, which means that behavioural and structural change will be important methods of changing people's beliefs, and vice versa. To take an example: Enforced good behaviour in the workplace in relation to racial equality has promoted belief in racial equality, and increasing belief in racial equality has promoted better workplace practice. If the process *is* circular in this way then we shall need to construct 'equality mechanisms' if we are to see people's beliefs change.

Needless to say, Child Benefit, a Citizen's Pension, and then a Citizen's Income, will be such mechanisms. This leads us to suggest that, at last year's Conservative Party Conference, George Osborne announced that Child Benefit would be deuniversalised because, in its present universal form, Child Benefit represents everything which the 'tenets of injustice' are against.

Daniel Dorling, *Fair Play: A Daniel Dorling reader on social justice*, Policy Press, 2011, xiv + 397 pp, pbk, 1 847 42879 0, £24.99

In this book Daniel Dorling has brought together fifty-two of his academic papers, newspaper articles, magazine articles, and unpublished essays, to create a nicely structured and really quite devastating critique of our unequal society: devastating because so carefully researched.

The book contains sections on inequality and poverty, injustice and ideology, race and identity, education and hierarchy, elitism and geneticism, mobility and employment, bricks and mortar, wellbeing and misery, and advocacy and action. Most of the sections follow the same pattern: a scene-setter (often a newspaper

article); then mainly articles from peer-reviewed journals; and finally a newspaper or magazine article, or occasionally a final journal article, suggesting a policy direction which might reduce inequality.

Thus the section on inequality and poverty opens with an article on murder: 'Behind the man with the knife is ... the man who decided that his school did not need funding, the man who closed down the plant where he could have worked, the man who decided to reduce benefit levels so a black economy grew ...' (p.25). Then come articles showing how economic growth is generally higher in urban areas nearer to London, and that 'society in Britain has become so divided that very few people live anywhere where they can see how a representative range of folk live' (p.55). Finally there's a more political piece: 'Cameron says he is worried about "deep poverty", about the poorest in society. But he clearly does not want a redistribution of the money, the land, the work, the educational resources and the "opportunities" that the rich have expropriated from the poor over the past three decades' (p.59).

There are two respects in which the introduction isn't quite accurate. Dorling claims that he's edited the articles and extracts so that they have a consistent style, but there is still a considerable difference between the style of an article written for the *Guardian* and one written for the peer-reviewed *Local Economy*. The introduction also says that each section ends with a discussion of what we can do about the inequality evidenced. In many of the sections this is only true in the sense that Dorling asks that a current policy trend should be reversed. In just one section he proposes a new policy direction: a land tax (p.129). I suspect that this is because he's a geographer and has studied our unequal land distribution and the many other ways in which 'place ... matters in what might inspire (or condition) you. Circumstances matter' (p.343), and where we grow up has a considerable effect on our opportunities and prospects. In the same vein, Dorling shows how recent Housing Benefit changes will result in 'the cleansing and clearing out of so many poorer people (and people made newly poor) from more prosperous areas of the country' (p.99).

As well as being Professor of Human Geography at the University of Sheffield, Dorling is President of the Society of Cartographers, and this book would be worth buying simply for the full-colour maps which say more about inequality than words alone could say. However, the main reason for buying this book has to be the sheer variety of evidence which it offers for an

increasing social malaise. We are sleepwalking into a seriously unequal society. A land tax would help to reduce that inequality. To distribute the proceeds as a Citizen's Income would make even more of a positive difference.

Stuart Lowe, *The Housing Debate*, Policy Press, 2011, 1 847 42273 6, pbk, 280pp, £14.99

Stuart Lowe's *The Housing Debate* takes a refreshingly broad view of housing and welfare. Rather than a balanced introduction for students to current debates around housing and social policy, Lowe has a clear case to make. 'There is mounting evidence that housing is not only an important pillar of welfare states, but, looked at in its broadest sense, has become a foundation.' (p33)

Through a series of historical and thematic chapters, Lowe argues that there is a fundamental connection between housing systems and the type of welfare states that develop from them and alongside them. In the UK, the growth of home ownership from the mid twentieth-century and the liberalisation of mortgage markets from the 1980s have been integral to developing our asset-based welfare state, where individuals and families use personal wealth to buy into welfare.

In 260 pages, Lowe doesn't attempt to offer a comprehensive history of housing policy; rather, he draws out key themes and illustrative aspects of housing policy that have helped shape both the current structures of the welfare state and political debates about housing. Historians and welfare experts may occasionally be frustrated by this brevity. Indeed, its introductory style is occasionally prone to oversimplify, to gloss over important subtleties. This includes, for instance, the changes to social housing to be introduced through the Localism Bill currently before Parliament, which Lowe reduces to 'effectively creating a mirror image of the tenancy arrangements in the privately rented sector'. (p4) However, readers already interested in tax, welfare and benefits, but who come fresher to the housing debate, will value the clear structure and the balance between history and welfare theory.

The historical account begins by identifying the emergence of a distinct housing policy from Victorian public health concerns, and then traces the socio-economic roots of the modern concept of home-ownership in the interwar years. Those interested in a Citizen's Income might be particularly taken by

Lowe's comparative analysis of housing markets across Europe and the US. He focuses on the divergence of a municipal approach to housing in Britain, where state housing was an acceptable response to a dwindling private rented market, and Germany, where a social insurance model and related scepticism of a statist approach helped more diverse provision to develop through housing co-operatives. One can see this initial split at the start of the twentieth century extending and deepening. The author's perception of the 1961 Housing Act is that it was the end of a brief period of reliance on the private rented sector and the return to housing provision by local authorities.

Lowe's distinctive offer is in Chapters 6 and 8, where he argues for a clearer role for housing in the analysis of welfare states. *The Housing Debate* neatly contrasts a historical analysis with literature on comparative welfare to argue that different approaches to housing have shaped very different welfare systems. In the UK, this means asset-based welfare. This is, in part, due to home-ownership's significant initial costs that lead to electorates in countries with high proportions of home-owners favouring low taxes, low interest rates, and low spend social policies. And so one trade off to be made is between home-ownership and pension provision. Lowe identifies examples of explicitly asset-based welfare, including the Child Trust Funds in the UK and the experiment with individual asset bonds for low income families in the US. And as the author indicates in his conclusion, there is much still left to consider in the welfare debate, once we acknowledge that housing is part of a state model where citizens are expected to secure savings and assets to contribute to welfare.

This book has been written to persuade students of social and public policy to take housing seriously. The debate should stretch further than this. It provides a very timely analysis as policymakers turn again to reconsider housing policy in the face of slow economic growth, accelerating private rents, and projections for the costs of social care for an ageing population.

Jake Eliot

Peter Dwyer, *Understanding Social Citizenship*, 2nd edn, Policy Press, 2010, xix + 260 pp, hbk 1 847 42329 0, £65, pbk 1 847 42328 3, £19.99

The number of degree course modules on 'citizenship' is increasing, and this book is designed as a core text; but it will be useful not just to teachers and students,

but also to social policy practitioners and politicians because the contested and complex concept of citizenship now informs debate on all manner of social policy issues, as this book amply shows.

There is material here on republicanism and liberalism, the development of social citizenship in Britain, political ideologies since the 1950s, class, poverty, gender, disability, race, ethnicity, social Europe, and global citizenship (with a question mark).

Those interested in the tax and benefits system will find relevant material in most chapters - not surprisingly, given the importance of the term 'citizen' to much social policy debate and the connections between the tax and benefits system and so many social policy fields.

Of particular interest will be the material on the relationship between class, poverty, citizenship and welfare to be found in chapter 5. Increasing conditionality in relation to benefits policy was a feature of the last government, and we are waiting to see whether the same will be true of the new one. The chapter contains an informative table of new conditionalities in a variety of social policy fields.

Citizenship suggests universalism, but it also has to cope with difference (- a theme running through the book), and the final chapter outlines three approaches to the relationship between universalism and difference: a Citizen's Income, group rights, and differentiated universalism.

The erroneous argument that a Citizen's Income would be 'too expensive' is, as usual, offered without evidence. Similarly, the idea that 'for some a [Citizen's Income] is a step too far as everybody, freeloaders included, would be able to claim their citizen's income' (p.208) receives a response in terms of a participation income rather than the challenge which it deserves. He does concede that 'freeloaders already receive means-tested benefits and these benefits actively discourage them from seeking employment: a Citizen's Income wouldn't do that', but it's encouraging to see a Citizen's Income taken seriously as the feasible corollary to social citizenship.

Given the importance of a Citizen's Income and citizenship to each other, a future edition of this excellent book would benefit from an extended and better informed treatment of both Child Benefit and Citizen's Income, which should be treated together rather than separately as they are in this volume.

Viewpoint:

The human cost of flexible labour

by Deborah Padfield

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www.opendemocracy.net/ourkingdom/deborah-padfield/human-cost-of-flexible-labour.

We are grateful to permission to republish it.

Unemployment hit a 17-year high in the three months prior to August. That's headline stuff. Short-term employment is less noticed. In the same period, more people than ever before (as number and proportion) reclaimed Job Seekers Allowance less than six months after their last claim. Over half of men claimants are in that situation, and about a third of women (as set out www.poverty.org.uk/57/index.shtml?2). Disabled job-seekers are proportionally likelier to be in this situation. These are people of an insecure world, the 'precariat'. (See Guy Standing's *The Precariat: the new dangerous class*.)

This trend towards short-term 'flexible' working is economic and social folly, in the long term if not the short. Having spent many years largely out of the labour market through mental disorder, I know how destructive insecure work can be.

Generalisation is perilous. In many small and larger firms, recession-driven redundancy apart, employment remains relatively stable. The thrust, though, is towards flexibility.

This is driven by technology: digitisation makes continual modification affordable and hence competitively necessary. Workers must adapt to technology, not the other way round. They must be quick-learners, or readily disposable, or both.

It's also been driven by rising shareholder power since the 1970s. Corporate investors typically look to immediate profits. In 1965 US pension funds held stocks for an average of 46 months; by 2000 the comparable figure was 3.8 months. (R. Sennett, *The Culture of the New Capitalism*). Management must prioritise today's share price or risk hostile buy-out. That depends on labour flexibility. Even voluntary-sector agencies must hire and fire to fit funding requirements.

The flexible workforce is integral to LibCon growth strategies. 'We will review employment and workplace

laws, for employers and employees, to ensure they maximise flexibility for both parties while protecting fairness and providing the competitive environment required for enterprise to thrive', said the Coalition Agreement. The Chancellor's announcement that (save for discrimination claims) people must work twice as long for their employer before being protected by Employment Tribunals came straight out of the flexible employment manual.

What does this mean for people returning to the workforce, particularly those with mental health problems?

'The positive link between employment and mental health is proven... In contrast, there is evidence that the longer individuals are absent or out of work, the more likely they are to experience depression and anxiety. Satisfying work can therefore play a vital role in improving everyone's well-being and mental health.' (DWP/DH, Working our way to better mental health: a framework for action, December 2009).

I agree, on conditions. I only began to regain some sense of my stable 'self' after finding work with Cambridge Citizens Advice Bureau. Income and its self-respect matters hugely; employment can also represent structure, an outlet for energies, hope of a future, collegueship. You may no longer have to fudge answers to 'what do you do?' or, devastatingly, 'what are you?'

But there's work and work. Insecure, low-paid work means none of these. Precarians are a world apart from skilled, well-networked professionals who thrive on mobility. Job Seekers Allowance requires you – after an initial few weeks – to accept any 'reasonable' offer. You must become whatever is demanded, unable to build a personal skill-set, devoid of collegueship. You've still no answer to 'what do you do?', let alone "what are you?"

For any returnee, this is tough: the endlessly repeated angst of facing the unknown, being tested, knowing there's no time for learning by mistakes. A mistake too many and you return to Go. For many, it's impossible. Minister of State Chris Grayling recently talked on the Today programme about Universal Credit helping young people to take that critical 'first step' into work. He's out of touch. There is no one 'first step' but a whole series of them. These may, for the securer person, build confidence. For the less secure, being burnt doesn't callous the skin but makes it raw.

Anxiety and depression were my bugbears, along with a few obsessive compulsions. Being unable to connect with the world around is terrifying. This is not about something being difficult or unpleasant, nor about feeling a bit down or fuzzy-headed. It's about impossibility. About struggling to make that muscle called 'brain' move, but being paralysed. Many of us know what it's like to be 'not here' ('derealisation' in the jargon); to sort-of know that 'I' am 'walking along the road'. Many of us know the grip of compulsions which must be obeyed before all else, and/or the addictions – to alcohol, drugs, eating or not eating – whose claws are no less sharp.

Neither paralysis nor compulsion can be wished or disciplined away, nor will they vanish on exposure to the thing that's feared. If only they would. Many of us keep hoping, trying to force ourselves to master them. Many flog themselves (or cut themselves, or drink) in bitter self-contempt.

Anxiety is part of life. 'One in four has mental health problems' says the Time to Change campaign (www.time-to-change.org.uk/). But difference in degree becomes difference in kind. A physical illness like arthritis can be uncomfortable or disabling. So can anxiety. There are ways to ease the effects of both. But unlike arthritis, recovery from mental illness is often to a large degree possible - at the right pace, with the right environment.

The flexible workplace is wrong in both. It sustains the fear. For obsessives, control by others is a consuming terror. Fear of not coping can dominate for years. Familiarity can ease the strain, reducing the unknowns, allowing coping mechanisms to evolve. One can develop a work persona, invaluable to most of us as protection and tool. Above all, time may allow the growth of trust and respect, in others and in self. But time is what the flexible workplace denies.

I talked up my skills to get a job, then faced the brain-numbing expectations of a fast-driving employer. I wasn't asked back. Such 'first steps' can destroy. People on JSA have to undergo them again and again. Being lucky in my support systems, I could restart as a volunteer, then creep onwards via undemanding admin work. I didn't dread abject dismissal when my mind would not work. I could return to volunteer status without question or loss of respect, still with a possible way forward. So I climbed – as securely as I could – out of the pit.

Employment & Support Allowance is supposed to give such space, though in practice it's far tighter. The minute you can do some kind of work, that's what you have to do. That work is usually short-term, never secure. So now a record number of people must "take the plunge" again and again, never knowing collegueship, never having hope of sustained progression, emotionally or professionally. Never being granted the respect we all deserve until proven otherwise. Most unemployed people I meet desperately want to work. They don't need sanctions and conditionality to force them into it. They need the security and opportunity which our economic model does not provide.

Flexible work is a good formula for ensuring a captive supply of cheap, low-grade employees. It supports the short-termism that has maimed many leading companies but pleased the City. It promotes festering resentments against both the privileged rich and the competing poor, especially immigrants. It condemns many to a lifetime of fear, poverty and loss of hope.

No economic model is inevitable. We set our priorities. Fiscal incentives and regulation can encourage investment in employees. Unions can reshape themselves as long-term home-bases for precarians. A tax-funded basic income can give people security for take-off. Respect and trust can replace stigma and sanctions.

Nor is democratic freedom inevitable. I am afraid of the inequalities growing in our society: the resentments, fears and angers. I am afraid of where indifference to these realities, in government and the comfortable classes, is leading us.

Post-war European peace was built, however imperfectly, on a commitment to investment in all classes, investing in them, respecting them and allowing them to insure against calamity. In renewed time of upheaval, we need to make a similar commitment.