CITIZEN'S INCOME AND WOMEN

BIRG Discussion Paper No. 2

Edited by Hermione Parker

CITIZENS INCOME
Formerly
THE BASIC INCOME RESEARCH GROUP
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CITIZEN'S INCOME DEFINED

For every citizen the inalienable right
Regardless of age, sex, race, creed, labour-market or marital status
To a small but guaranteed tax-free income
Unconditionally

CITIZENS INCOME is the new name of the Basic Income Research Group, (BIRG), which was set up in 1984 under the auspices of the National Council for Voluntary Organisations (NCVO). The association with NCVO continued until 1987, when BIRG became independent. In 1986 BIRG affiliated to the BASIC INCOME EUROPEAN NETWORK (BIEN), which it helped to found. In 1989 BIRG became a registered charity (No 328198). The change of name was decided upon in 1992, for two reasons: firstly because Basic Income is already often referred to as Citizen's Income, and secondly because social security reform is an important part of the wider debate about the nature of citizenship.

INDEPENDENCE

The Citizens Income group is financed from non-governmental sources. It is not a pressure group, nor is it aligned to any political party.

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MEMBERS OF THE STUDY GROUP AND ACKNOWLEDGEMENTS

This paper is the outcome of structured discussions during the period April 1991 to January 1992 between members of a study group convened by BIRG to examine the implications of a Basic or Citizen's income for women. The group comprised the following people, who came as individuals, not as representatives of the institutions where they work, and who do not necessarily subscribe to all the views set out in the paper. Citizens Income wishes to thank them for agreeing to participate in the group, and for the time and effort they put into it:

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Mary Clarkson: Institute of Directors
Marie Cunningham: CPW Associates, formerly Managing Director of *Voice*
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INTRODUCTION

This paper investigates the income security needs of women; the antiquated and inadequate deal they get from existing tax and social security arrangements; and a reform proposal that could transform their lives, the lives of their families, and society as a whole. That proposal is called Basic Income (BI), or Citizen's Income (CI), and its purpose is to replace the existing patchwork of social security benefits and income tax reliefs by a small, guaranteed, tax-free income, which would be credited automatically every month to every legal resident, and would be recouped from those who do not need it through a new income tax.

Defined in this way BI resembles the proposals for a Citizen's Income accepted as party policy by Britain's Liberal Democrats in March 1990 [Vince, 1990], and included in their party's manifesto for the April 1992 General Election. And it is in the tradition of the Tax-Credit proposals put forward by Edward Heath's Conservative government in 1972.

For readers new to these concepts it is important to emphasise that BI involves integration of the tax and benefit systems and would be financed by a personal income tax. This distinguishes it from other forms of Citizen's Income — like Social Dividend and (more doubtfully) Negative Income Tax — but should not be taken to imply that BIRG has ruled the others out; nor that the revenue necessary to finance income maintenance must always be raised through personal income taxation. But it does explain why the alternative methods are not the subject of this paper.

In order to understand its implications for women, it is also necessary to emphasise that BI is not just another benefit, nor is it intended as compensation for low earnings or loss of earnings. Unlike conventional social security benefits, it would be paid without reference to recipients' current or former earnings; or to their current or former labour-market status; or to their sex or marital status. In other words, for BI purposes work status and marital status become irrelevant. These changes are so important and so radical that the study group devoted two meetings to them, the results of which are discussed in Chapter 3.

Some readers may question the need for a discussion paper on *Citizen's Income and Women*. Wouldn't men and women be similarly affected? Not according to our findings! Men are the main

beneficiaries of national insurance — despite having to work an extra five years to qualify for a full pension. Men would also be the main beneficiaries of a residual or means-tested welfare state. Women, because of their different role in society, would do better from a Citizen's Income. Women earn less than men, so they build up less entitlement to national insurance benefits — and to occupational and personal pensions. In 1991, only 15% of women reaching retirement age were entitled to a full national insurance Category A pension of £52 a week; *a third had no entitlement at all.* In 1987/88 only 46% of single and 15% of married women pensioners were receiving occupational pensions (compared with 63% of single and 67% of married men pensioners); and the amounts received by the women were significantly smaller. With a citizen's pension this could not happen.

Although the exact outcomes of a switch to BI depend on the detail of the legislation, those who stand to gain most are undoubtedly women — not because BI favours women, but because the existing system favours men. The main gainers would be:

- Anyone on a low income, who at present has no entitlement to benefit
- Anyone not claiming the benefits to which s/he is entitled
- Women (or men) who give up paid work to raise a family
- Women (or men) who give up paid work to care for elderly, sick, or disabled relatives
- Individuals and families lifted out of the poverty trap, because they would no longer need means-tested benefits

For all such people, assuming they were legal residents, the BIs would be paid automatically in cash, with no questions asked.

Assuming BI amounts that did not require unacceptably high rates of tax on other income (especially at the bottom of the earnings distribution), BI is also one of the most hopeful solutions currently being discussed to the poverty and unemployment traps. For it would provide an income base on which people with low earnings potential would be able to build by their own efforts, instead of a trap from which they have little hope of escape [Parker, in Bowen and Mayhew 1990].

This is the second Discussion Paper published by the Basic Income Research Group. The first examined the implications of BI for the labour market [BIRG 1991]. In each case the purpose was not to reach agreed recommendations, but to set out the issues and different viewpoints clearly. The members of both study groups were chosen to comprise a wide range of expertise and opinions. Some members came as avowed sceptics and none came as representative of any institution. All were nevertheless agreed that the present tax and benefit systems are in urgent need of reform.

Although the discussions revealed large areas where the outcome of a BI system is uncertain, and other areas (notably lone parents) of particular difficulty, the group was usually able to spell out the possibilities. Throughout the discussions distinctions were drawn between Full Basic Income (FBI), Partial Basic Income (PBI) and Transitional Basic Income (TBI) — with the first defined as an income sufficient to live on, the second as insufficient, and the third as the very small BIs with which a transition towards BI is most likely to begin. For practical purposes, it was agreed to concentrate on the effects of PBIs and TBIs, not because they were preferred, but because they are the only forms of BI that might be introduced in the foreseeable future.

On this basis, the indications are that BI, although no panacea, could be extremely beneficial to women and would strengthen family life. From which the group concluded that it merits serious consideration — which was also the conclusion reached by a sub-committee of the House of Commons Treasury and Civil Service Select Committtee in 1983 [House of Commons 1983], although their recommendation has not been followed up.

BI is of particular relevance to the question of equality in state pension age, on which a decision by government is expected soon [DSS 1991, Parker 1992]. With a citizen's pension, the basis of entitlement for receipt of pension would become length of residence in the UK instead of contribution record. To raise the age of entitlement for women without also changing the rules of entitlement, which appears to be the government's intention, would add to the number of older women needing means-tested benefits, and to the number living in poverty. By contrast an intermediate citizen's pension from age 60, and a full pension from age 65 — both based on length of residence — would reduce dependence on means-tested benefits, and could attract sufficient political support (from women as well as men) to enable government to equalise state pension age more quickly than is at present expected.

The underlying aim of BI is to enhance autonomy and choice, thereby helping to prevent (rather than merely relieve) poverty. But to

maximise its effectiveness, BI would need to be introduced slowly (with special attention to its effects on wage rates); and as part of a wider package (including provision for childcare and eldercare). Although the details of any particular BI package require careful working out and are often controversial, most of the group agreed that BI has important advantages for women by comparison with reform within the existing system, especially during child-rearing and old age.

Those advantages, summarised in the Conclusion, are as follows:

- Improved income security
- More equal treatment with men
- Tangible recognition of the value of unpaid work
- Increased financial independence within families
- Improved work incentives
- Income maintenance during study and training/re-training
- A guaranteed pension in old age
- Simplicity

1 PAID WORK AND UNPAID WORK

During the half century since the Beveridge Report [Beveridge 1942], the status of women has been transformed, yet in social security terms most women still live in the Dark Ages. For the whole of our social security system is based on the assumption that work means paid work, and those who do unpaid work are treated as second-class citizens. The problem is that only a minority of women participate in the labour market on equal terms with men — due partly to their caring responsibilities, and partly to a continuing, gender-based division of labour that results in lower earnings for women, including those who are in full-time work [Jordan *et al* 1992, Millar and Glendinning 1992].

These lower earnings result at best in reduced entitlement to SERPS and at worst in exclusion from any national insurance pension — hence a disproportionate risk of poverty in old age. Most married women qualify for a Category B national insurance pension (see Appendix) through the contributions of their husbands — whether or not they themselves have contributed — but if they are older than their husbands they have to wait until their husbands are 65 before they get it. Also, an increasing number of women whose marriages end in divorce or separation are particularly vulnerable to poverty, especially those who depended wholly on the earnings of their husbands [Joshi and Davies 1991].

The resulting situation is extraordinary. Everybody bemoans the decline of the traditional family, and *both* the main political parties claim to be the party of the family, but neither has so far been prepared to take constructive action by advocating the introduction of a social security system that would give mothers more real choice about whether and when to return to the labour market.

A quick glance at the statistics of dependence on income support (IS) (Table 1) shows the effects of the present social security system. Far more women than men depend on IS, including over 750,000 lone mothers. About 22% of women aged 60 and over depend on IS, compared with 9% of men aged 65 and over. In terms of poverty relief income support is better than nothing, but it is very much a second best. Not only do its beneficiaries forfeit their autonomy (even gifts have to be declared), they also risk long-term dependency on the state, due to the poverty and unemployment traps. Others are left with incomes below the levels laid down by Parliament, either because they are not entitled to IS, or because they do not claim.

Table 1: Dependence on Income Support by sex, GB, 31 May 1991, thousands

	Men	*Women*
Under pensionable age	1723	1909
Over pensionable age	278	1339
All	2001	3248

Source: Hansard Written Answer, 15 December 92, c 149.

Surprisingly, the failure of the existing social security system to meet the changing needs of women, and the possible correlations between this failure and the breakdown of the traditional family, have so far received scant attention by the media, were excluded from the 1985 Social Security Review, and are being overlooked again in the latest debate for and against universal benefits. Yet family policy is an area in which a switch to Citizen's Income could do most good.

In the literature about BI many claims are made concerning its effects, most of them highly speculative. Opponents often confuse it with Negative Income Tax (NIT), and quote figures taken from the North American NIT experiments of the 1970s to show that a BI of any sort would encourage family break-up. But this effect of the NIT experiments was a function of the scheme designs: means-tested, and with the family (sometimes the three-generational family) as the assessment unit. In the Seattle-Denver experiment the only way for women in unhappy unions to obtain economic independence was by leaving their families, and remarriage was encouraged by a disproportionately low NIT award for single people.

At the other extreme, some BI advocates claim that BI would not merely reduce but remove the unemployment and poverty traps, a supposition that does not withstand close analysis. Others claim it would remove unemployment – on the assumption that people with low earnings potential do not mind how little they earn. But that too is unlikely.

Some of these problems were addressed in BIRG's Labour-Market Discussion Paper [BIRG 1991]. Here we focus on issues that are of particular importance to women, namely:

(1) The benefit unit: why keep family-based assessment units when decreasing numbers of people live in traditional families, and despite evidence that income distribution within families is not always according to need?

(2) The basis of entitlement: why link benefit entitlement to participation in the labour market, when there are no longer enough paid jobs to go round, and when some paid work is less socially valuable than some unpaid work?

(3) The effects of BI on:

- Women as mothers
- Women in paid work
- Women in old age

Throughout we emphasise the need for increased autonomy and choice as well as a guaranteed basic income. And by autonomy we mean *freedom to determine one's own actions* [Collins English dictionary].

2 BASIC INCOME IN A NUTSHELL

(1) Defined

In 1989, BIRG defined Basic Income as follows:

> *A Basic Income scheme would phase out as many reliefs and allowances against personal income tax (IT) and as many existing state-financed cash benefits as practicable; and would replace them with a Basic Income (BI) paid automatically to each and every man, woman and child.*
>
> *BI would enhance individual freedom; would help to prevent poverty; and would help to end the poverty and unemployment traps, reduce unemployment and create a less divided society.*
> [BIRG 1989]

In para one the emphasis is on unconditionality and individual assessment units. No national insurance (NI) contributions, no earnings rules, no availability for work rules and no cohabitation rule; wives and children treated as equal citizens; benefit as a platform on which all can build (through work or savings) without red tape.

At first glance the proposal looks incredibly generous, but unlike the Heath Government's Tax-Credit proposals (with which it is sometimes compared) the BIs advocated by BIRG are not additional to existing provisions, they replace them. For example, assuming a transitional BI of £13 a week in 1991, the Category A pension of £52 would be reduced to £39, and the Category B pension of £31.25 would be reduced to £18.25 (see Appendix). Category A and B pensioners would be neither better nor worse off, but pensioners currently dependent on means-tested income support would find themselves lifted off part of it, and low-income pensioners entitled to income support but not claiming it would gain substantially. In due course, as the BIs were increased, most pensioners would be lifted off means-tested benefits entirely. Only then would it be possible for all pensioners to reap the benefits of small savings. At present, there is a poverty trap effect. Pensioners with small amounts of occupational or personal pension, income from investment, or income from savings, are dismayed when they discover that they are little or no better off financially than their contemporaries on income support.

In para two of BIRG's definition the emphasis is on autonomy and the limitations of BI. Certainly it would enhance individual freedom. Within reason it would improve incentives and make it easier for claimants to take whatever paid work was available. But BIRG is not claiming a cure-all.

(2) Paying for it

A Basic Income would replace existing expenditures on cash benefits and income tax reliefs. Table 2 estimates the cost of existing provisions in 1991-92, including the cost of the government's 2% inducements for personal pensions. Added together (which in the official statistics they never are) the total cost becomes an astonishing £125,000 million. Of course by no means all of this amount would be available for the BIs. Some existing expenditures would continue and others would have to be phased out gradually. But the figures do show the huge scale of existing commitments. Tax expenditures are surprisingly large, accounting for almost 44% of the total. Pension income tax reliefs alone cost an estimated £10,710 million in terms of revenue foregone, and mortgage tax relief cost a further £6,100 million. The cost of keeping invalidity benefit, attendance allowance and mobility allowance tax free is over £600 million.

Divided between the UK population of 57.6 million, £125,000 million works out at nearly £41.75 per person per week, or £167 a week for a family of four.

Table 2: Estimated overall cost of provisions for income maintenance, UK, 1991-92

	£m	£m
Benefit expenditures	64,996	
Benefit administration	3,497	
Student grants	797	69,290
Statutory sick pay and statutory maternity pay		1,092
Income tax allowances	31,730	
Income tax reliefs	20,195	51,925
Contracted-out rebates and 2% incentives in respect of personal pensions and contracted-out schemes		2,487
TOTAL		124,794

Sources:
Benefits and administration: *The Government's Expenditure Plans* 1992-93, Cm 1914, DSS, Feb 92, Figures 4 and 27, and Table 3)
Student grants: *The Government's Expenditure Plans 1992-93,* Cm 1911, DES, Table 20 (England and Wales only)
Income tax allowances and reliefs: *Public Expenditure Analyses to 1994-95,* Cm 1920, Treasury Jan 92 (Appendix D)
SSP, SMP, contracted-out rebates and 2% incentives: *Report by the Government Actuary on the drafts of the Social Security Benefit Up-rating (No.2) Order 1991 and the Social Security (Contributions) (Re-rating) (No. 2) Order 1991,* Cm 1779, Dec 91 (Para 18 and Appendix 7).

Although integration of the tax and benefit systems appears to produce a massive increase in public expenditure (the BIs), this is due to the way the Treasury presents the national accounts, and the sharp distinction it draws between cash benefits (public expenditure) and income tax allowances (revenue foregone). This distinction conceals the fact that both are transfer payments and both have the same immediate impact on the public sector borrowing requirement — a point strongly argued by Richard Titmuss in 1955, in a famous Eleanor Rathbone Lecture:

> Under separately administered social security systems, like family allowances and retirement pensions, direct cash payments are made in discharging collective responsibilities for particular dependencies. In the relevant accounts, these are treated as 'social service' expenditure since they represent flows of payments through the central government account. Allowances and reliefs from income tax, though providing similar benefits and expressing a similar social purpose in the recognition of dependent needs, are not, however, treated as social

service expenditure. The first is a cash transaction; the second an accounting convenience. Despite this difference in administrative method, the tax saving that accrues to the individual is, in effect, a transfer payment. *In their primary objectives and their effects on individual purchasing power there are no differences in these two ways by which collective provision is made for dependencies.* [Titmuss 1955, in Titmuss 1958, page 44, BIRG emphasis]

The assumption behind the Treasury accounting system is that tax reliefs (tax expenditures) are 'good' whereas benefits (cash expenditures) are 'bad' — an assumption that requires careful testing, because of its policy implications. Between 1979 and 1989, repeated benefit cuts accompanied by increased tax privileges for the rich (especially private pension income tax reliefs) were partly responsible for a redistribution of income away from people in the bottom 10% of the income distribution, whose income after housing costs went down by 6% [DSS 1992 (2), page 1]. Is that 'good'?

The BIs would be paid for by charging income tax on all (or almost all) other income. Taxation of all other income (to widen the income tax base) and deduction of the BI amounts from existing social security benefits are fundamental principles of all British BI schemes. When measuring the effects of such schemes on income distribution or work incentives, it is necessary to deduct the extra income tax paid and the savings on existing benefits (often means-tested benefits).

The new income tax would replace existing income tax and national insurance contributions. It would be payable at the same rate/s whether the income was earned or unearned, but the first slice of earned income would probably be tax-free. This modification helps to increase work incentives at the point of entry to the workforce and assists the Inland Revenue with tax collection.The tax rate would depend on the BI amounts; on how many of the non-personal IT reliefs (eg for imortgage interest and private pensions) were phased out; on the future of the State Earnings Related Pension Scheme (SERPS); and on the state of the economy (the income tax base).

(3) Administration

Some people think that the financing and administration of the BIs should be kept entirely separate from the rest of the government's accounts (like the National Insurance Fund). Rhys Williams and Parker have suggested an independent *Transfer Income Account* (TIA) [Rhys Williams 1989, and Parker 1989]. The Liberal Democrats call it a *Tax Transfer Department* (TTD) [Liberal Democrats 1989].

With BI it becomes possible to capitalise on micro-electronics and take income maintenance forward towards the cashless economy. At central government level the TIA (or TTD) would be responsible for crediting the BIs (through the banking system) and collecting the new income tax (through the Inland Revenue). Each month the TIA would send to the Bankers' Automated Clearing Services (BACS) the BI information for every legal resident (using magnetic tapes or discs, or by on-line data transmission); BACS would process the information and pass it on to the appropriate settlement banks, who would credit their customers accordingly. Most people nowadays have access to a bank or building society account [IBRO 1985, quoted in Parker, 1989 p 349] and children could be credited through the bank accounts of their parents. For the small minority of adults without bank accounts special provisions could be made.

(4) Full, partial or transitional?

BIRG distinguishes three levels of BI:

- **Full Basic Income (FBI)** is defined as sufficient to cover all basic needs (including housing). Since everyone would receive the BI and virtually everyone would pay tax, the present, invidious distinction between taxpayers and beneficiaries would fade away.

  A full BI sounds attractive and might one day be feasible, but at present it would require a tax rate on all other income of at least 70%, and is therefore considered unacceptable. A wider tax base than income tax might solve the problem, for which reason some people are talking in terms of a small Basic Income financed by income tax, plus a Social Dividend financed out of the profits of industry, or through taxes on value added.

- **Partial Basic Income (PBI)** would not be enought to live on, except perhaps for non-householders. Some existing means-tested benefits would have to be retained, for people without paid work or other sources of income, and the system would need two or more administrative components, of which only one could be fully automated.

  PBI is less expensive and less redistributive but more flexible than FBI. The target amounts chosen by Rhys Williams [1989], Parker [1989] and Vince [1983] — the latter for the then

Liberal Party — were half the rate of supplementary benefit/income support for a married couple, plus supplements for old age and disability. Assuming a partial BI of £33 (cf income support in 1992 for a married couple of £66.60), and BI supplements sufficient to bring total entitlement during old age/disability to one-third average earnings (the traditional TUC target for a single person's pension), Parker has estimated a flat-rate tax rate in the range 35-45%. The lower bound assumes abolition of all income tax allowances and reliefs, the upper bound assumes retention of mortgage interest and private pension tax reliefs [Parker 1989, Appendix 1]. Note that a tax rate of 35% compares with 25% (standard rate IT) plus 9% (NIC) at present.

- **Transitional Basic Income (TBI).** Neither an FBI nor a PBI could be introduced at a stroke — the redistributive effects are too large — for which reason attention has concentrated on transitional schemes [Atkinson and Sutherland 1988, Liberal Democrats 1989, Atkinson 1989, Rhys Williams and Parker 1989, Bowen and Mayhew 1990]. Such schemes cash out the personal income tax allowances (including married couple's allowance) and replace them with very small Basic Incomes of around £13 for adults and £10 for children (at 1991 prices and incomes). The first slice of earned income (about £20 a week) is tax free, and some schemes include tax reliefs for work-related childcare. Child benefit becomes a BI for children (the same flat rate for all), and is increased. Although the BIs are extremely small they come close to half the allowances payable on income support. Residual income support would continue, as would family credit, but would be reduced each time the BIs were increased until they were completely phased out.

(5) Quantifying the effects of BI

From research carried out at the London School of Economics it is clear that even a partial BI of £33 a week would take many years to implement. This is partly for technical reasons (e.g. computerisation), partly to soften the effects of reorganisation within the civil service, partly to allow time to phase out the non-personal income tax reliefs, and above all to soften the redistributive effects of BI, which would be larger than is generally assumed [Atkinson, 1989].

The models currently employed for measuring the costs and redistributive effects of tax-benefit reform use Family Expenditure

Survey data. Taxmod, written by Professor A.B. Atkinson and Holly Sutherland at the London School of Economics, can estimate the redistributive effects of a transitional BI scheme across the whole population, and can also measure some of its incentive effects [Atkinson and Sutherland 1988, and Parker 1989, Appendix 1]. Other models are available that calculate the effects of policy changes on the net and disposable incomes of selected hypothetical (or model) families. By printing out the detail of each component of disposable income (including means-tested benefits), such models are particularly useful for monitoring the likely incentive effects of change. They can be used for all types of BI scheme, but (unlike Taxmod) the figures cannot be grossed up for the population as a whole.

The time lag necessary to introduce a partial BI system makes it extremely hard to estimate either its cost or its effects. Although we can be reasonably certain about demographic change between now and the year 2000, it is much more difficult to estimate the income tax base. In particular, many BI proposals involve abolition of the private pension tax reliefs, yet the full effects of so doing cannot be estimated using Taxmod (or similar models) because some of the pension information is not collected for the Family Expenditure Survey [Parker 1989, Appendix 1]. Difficulties like this help to explain the spurt of interest, since the end of the 1980s, in transitional BI schemes, which can be put through existing tax-benefit models with reasonable confidence. There is, nevertheless, a strong case for getting beyond the present generation of computer programmes, to examine issues that are hard to quantify, for instance redistribution of income within families and certain aspects of the unemployment and poverty traps.

3 THE UNIT OF ASSESSMENT AND THE BASIS OF ENTITLEMENT

(1) Rights based on citizenship

The existing social security system, with rights based predominantly on work status, reinforces a work ethic that excludes the unpaid work usually undertaken by women. Basic Income reverses this situation: instead of employment providing the basis of social security rights, BI gives every individual more choice between paid and unpaid work.

Advocates of an income guarantee based on citizenship are in no way trying to downgrade the importance of work in the formal economy, but they are trying to reassert the importance of unpaid work, and to emphasise individual rights and responsibilities in both paid and unpaid work. Above all they are trying to move to a system that gives individual citizens more choice about how they run their lives — especially families with small children, and families with elderly or disabled relatives needing help and care.

Given the opportunity, many couples would opt for a more equal division of caring and wage-earning responsibilities. In some cases the woman might prefer the caring role, especially while her children were little. In other cases free choice would result in role reversal, with the father staying at home most of the time. But none of this will happen so long as men are the primary wage earners and entitlement to social security — especially social security in old age — is based on previous labour-market participation and contribution record. Even a BI (on its own) is not enough to reverse the present situation — other changes are also necessary, such as equal pay and equal opportunities. At present, because most women earn less than men, there is a clear disincentive for couples to reverse roles. A BI would reduce, but not remove, that disincentive.

The case for a new definition of work was well argued by Gabriel Fragnière (director of the European Centre for Work and Society in Maastricht) in an essay in French, whose title can be translated as *Work and Employment in the Europe of Tomorrow* [Fragnière 1987]. In it he traced the concept of work through history, and found that it is only in industrial societies that work means paid employment and the right to work means the right to a wage. As a result of industrialisation the wage has become more important than the work itself. It is calculated on the basis of hours worked (not work done), and the whole of human life has become geared to hours of work, the working week, holidays and the age of retirement. Worst of all, if you are not part of that process you are excluded from mainstream society.

Fragnière proposed a definition of work that would encompass *any human activity that serves a social purpose* — a definition that is close to the unpaid work to which reference is made in this paper. Both need careful thinking through, in order to exclude the daily tasks people do for themselves. But both are making the same point, namely that human welfare is not derived solely, or even mainly, from the labour market. Some unpaid work, notably child rearing, is more socially valuable than some paid work.

There are Church people who would carry the debate even further. In BIRG Bulletin 15, Canon Ronald Preston of Manchester argues that the heart of the Christian gospel is the ethic of unconditional love [Preston 1992]. An ethic of reciprocity (do-as-you-would-be-done-by), though important, is not enough. True Christianity is about giving without thought for future returns. In social policy terms this leads to a benefit system that gives *before* it receives, and treats everyone alike, irrespective of race, creed, gender or work status. For in God's world, each of us has a role to play, and this is not necessarily in the workplace. This is what Preston has to say about BI:

> Of course responsible citizenship will continue to be encouraged. Of course some will abuse the system and behave irresponsibly, expressing an entitlement mentality which expects support from the state, but has no sense of the common good. For there is no social policy, however desirable, that does not produce some undesirable effects. But we do not bother too much about the idle rich, and there seems no reason to be so much bothered about the idle poor. Some may indeed choose to use BI as a basis for life outside the main stream of economic activity (an expression of what I call contemplation); let that be their choice. The upshot will be that Basic Income, or something akin to it, will lead to a more just and humane society [Preston 1992, page 9].

Unfortunately the emphasis on paid work is reinforced in the European Social Charter, which, as the Institute of Directors pointed out in its comments on a draft version, *is couched primarily as a declaration of collective employee rights, and not as a statement of individual rights and corresponding obligations* [IOD 1989, page 2]. The full title of the Social Charter is the *Community Charter of the Fundamental Social Rights of Workers*, which itself is significant. The final version included many amendments to earlier drafts, but the dichotomy between paid and unpaid work remains as stark as ever. By *worker* the Charter means someone who participates in, or has participated in, the labour market. In reference to elderly persons, this is what the Charter says:

> 24. Every worker of the European Community must, at the time of retirement, be able to enjoy resources affording him or her a decent standard of living.
>
> 25. Any person who has reached retirement age but who is not entitled to a pension or who does not have other means of subsistence, must be entitled to sufficient resources and to medical and social assistance specifically suited to his needs.
> [Commission of the European Communities 1989]

In other words, former wage and salary earners (predominantly men) will get benefits that are individually assessed without a means test, while everyone else (predominantly women) will have to make do with means-tested social assistance, using an unspecified means test. Britain has opted out of the Social Charter (or Social Chapter, as it is now called), but the distinction is of crucial importance, especially for women.

(2) Six fundamental changes

Introduction of a Basic Income involves six fundamental changes, and these changes apply whether the BI is full, partial or transitional:

- *The basis of entitlement becomes legal residence.* Everyone gets a small unearned income.
- *The unit of assessment becomes the individual.* There is symmetry between men and women, married and single.
- *All earnings rules are abolished.* Claiming and earning is decriminalised.
- *The availability for work rule is abolished.* Carers, students and trainees get the same right to benefit as everybody else.
- *Delivery of the BIs is automated.* Takeup is virtually 100% takeup (as with child benefit).
- *Living standards of the poorest are linked to living standards generally.* The BIs are linked to the index of average earnings through the income tax base.

Of the above, individual assessment units and entitlement based on legal residence are the key ingredients. It is they that make BI revolutionary — and it is they that raise the hopes of the poor and the dispossessed, and the hackles of the *status quo* majority. For they signal the most fundamental change in social policy since Beveridge, and in terms of women's rights another frontal assault on male domination. They are also inter-related. For if the basis of entitlement becomes citizenship, the right to it must be vested in the individual citizen.

To understand the issues, it may be helpful to look back in history. In Britain, the earliest attempt at a national system of social security was the Elizabethan Poor Law, which made poverty relief a statutory obligation. Until the twentieth century, that obligation was vested in each three-generational family, and for those without a family to turn to, benefit receipt generally entailed the workhouse [Finer and McGregor 1974, Appendix 5]. So the Poor Law was hated. Then, out of the turmoil of the industrial revolution and two world wars the welfare state emerged — a huge advance on which great hopes were pinned. Beveridge's aim was the abolition of want through national insurance (work-tested, but individually based) for all citizens without upper income limit [Beveridge 1942, para 19]. 'Housewives' would be protected through the contributions of their husbands. And national assistance (work-tested, means-tested and family-based, but with the nuclear instead of the extended family as the assessment unit) would replace the Poor Law as safety net of last resort.

It sounded too good to be true, and so it was. Although millions have benefited and millions still do, a large and growing minority (including a disproportionate number of women) are excluded from national insurance (NI) benefits, or receive sub-standard amounts, because they have paid insufficient contributions. Others, including most students, trainees and carers, are also excluded from income support (today's equivalent of Beveridge's national assistance), because they are not available for work. And although a complex structure of categorical benefits has been introduced to fill some of the gaps in the NI system, no government has as yet addressed the central problem, which is *the need to update the entire tax-transfer system in line with fifty years of economic, social and technological change.*

(3) A system overtaken by the effects of change

No system can last for ever. Policies based on regulations that no longer match reality tend to fail the very people they were designed to assist [Roll 1991] — of which Europe's new poor are living proof. Difficulties similar to those in Britain are being encountered throughout the European Community, where Bismarckian social insurance systems are not so greatly different from our own. Social insurance is not meeting expectations, and in areas of extreme poverty there is reason to doubt if it ever did, or ever could.

One result is a two-tier Europe, with an insured élite (predominantly men), and a growing army of disadvantaged people (predominantly women, young people and people with disabilities) whose best hope is means-tested, work-tested, family-based social assistance. Another result is increasing interest in social security reform, with opinion divided between those who favour reform within the existing system, those who prefer a residual welfare state, and those who prefer a Citizen's Income. Within the first and second camps there is increasing emphasis on workfare and schemes of social 'insertion'. For there is no doubt that the traditional work ethic (with work defined as paid work) runs strong, and a large-scale publicity exercise will be necessary to convince people that work needs redefining, to include unpaid work.

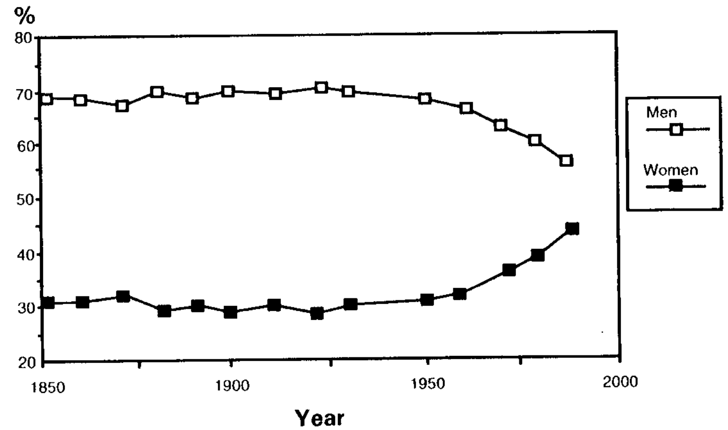
Breakdown of the traditional family. Born in 1879 (when Queen Victoria had another 22 years to reign!) Beveridge populated his visionary world with happily married, single-earner couples, widows (no widowers) and single people living either alone or with their parents. Few people nowadays can remember when life was like that, yet our politicans persist with a social security system based upon the illusion that nothing has changed.

For people of Beveridge's generation cohabitation before marriage was unmentionable, and children born outside marriage were a term of abuse. Yet divorce was on the increase long before World War 2. Women's organisations protested when the Beveridge Report offered no protection for divorced and separated women — but their protests fell on deaf ears [Finer and McGregor 1974]. Today Britain has the second highest divorce rate in the European Community: 12.6 per 1000 marriages in 1986 [Social Trends 22, 1992, Table 2.12]. Nearly 50% of women today cohabit with their future husbands before marriage, compared with only 2% in the early 1960s [General Household Survey 1989, Table 6.25]. And in 1989, 42% of conceptions were outside marriage, compared with 21% in 1971 [Social Trends 22, 1991, Table 2.27].

Breakdown of the traditional labour market. The Beveridge Plan was designed for a labour market that no longer exists. Full employment was a key assumption, but by full employment Beveridge meant *more jobs than idle men.* He also took for granted that most married women would be entirely dependent on their husbands — an assumption that has long since been overtaken by the effects of change. Instead there has been a sudden and continuing increase in the rate of women's labour market participation, beginning in the early 1960s, and still continuing (Figure 1).

Figure 1: Men and women gainfully occupied, at selected census dates 1851-1971, compared with 1981 (civilian labour force only), and 1990, (GB)

Men and women as %s of total workforce, GB, 1851-1981 and 1990



Sources:
1851-1971: Report of the Committee on One-Parent Families, Volume 1, Table 3.11, Cmnd 5629, 1974.
1981: Social Trends 15, Table 4.2.
1990: Social Trends 22, Table 4.18. Fewer than 7% of the men worked part time, compared with just under 49% of the women.

Most of this increase in women's labour market participation has come from married women (Table 3). Yet the male breadwinner syndrome persists, and women struggle along with a benefit system based on ancient notions that a woman's place is in the home, despite massive evidence to the contrary.

Table 3: Economic activity rates of married women, GB, %

Aged	*1921*	*1931*	*1951*	*1961*	*1973*	*1981*	*1989*
18-24	-	-	-	-	50	57	67
20-24	12.5	18.5	36.5	41.8	-	-	-
25-34	9.4	13.2	24.4	28.5	44	51	68
35-44	8.9	10.1	25.7	36.4	64	69	75
45-54	8.4	8.5	23.7	35.3	63	69	75
55-59	7.2*	7.0	15.6	26.0	48	54	54

Sources: 1921-1961, Social Trends 1975 and 1983
1973-1989, General Household Survey 1989
* Includes 60-64 age group

In devising his Plan, Beveridge also assumed that virtually all poverty was and would continue to be due to interruption or loss of earnings, or to the presence of children in the family. Reading the Beveridge Report one wonders how someone with so much experience in public life could have been so unaware of the low pay, irregular pay and no pay with which women's work has traditionally been rewarded; the poverty associated with lone parenthood, divorce and separation; the life-time poverty of people born with disabilities; and the legendary poverty of students.

Today, the single most important reason why married women go out to work is to augment the inadequate and often irregular earnings of their husbands. But so long as the benefit system uses the family, not the individual, as the benefit unit, neither spouse will be able to take their work decisions independently, and women will be particularly badly affected (Table 14).

(4) Individual assessment units

Personal rights and personal responsibilities are what Basic Income is about. The basis of entitlement is always direct — with no derived entitlements through the contributions of spouses — and the BI amounts are the same whether the citizen is male or female, married or single. In our opinion the individualisation of benefits is one of the main attractions of BI for women — for it would help them to decide between their often conflicting responsibilities (unpaid work at home, paid work in the labour market) without jeopardising their income security in old age (should the marriage end in divorce), and without affecting their husband's benefit position (should he become sick or unemployed).

With BI every man and every woman would get his or her guaranteed income and would be assessed separately for tax. The BI amounts would be age-related, but marital status would become irrelevant. From which it follows that two people living together, whether married or single, would get twice as much as a person living alone — despite the old adage that two can live for the price of one.

At present the eldest or only child in each family gets a child benefit premium of £1.85 a week, but children are *also* allowed tax-free income up to the adult personal allowance of £3,445 a year. With BI every child would receive the same BI (although the child BIs could be age related), but all their other income would be taxable. There would also be BI supplements for adults and children with disabilities (to offset their extra living costs).

Individual assessment units have four main advantages:

- Administrative simplicity
- Equal treatment of men and women
- Symmetry between married and single
- Incomes for wives

Administrative simplicity. Ease of access, and a system that can be automated without fear of abuse, are key social policy objectives, and an individually based BI would facilitate both. For it would resemble child benefit, which has virtually 100% take-up, and is one of the least expensive benefits to administer.

Even those who oppose individual assessment units have to admit that they would be easier to administer than family-based units. By comparison, the complexity of the existing social security system is beyond belief, with many different types of benefit, many different units of assessment, and many different bases of entitlement [Roll 1991]. There are four main types of benefit (national insurance, income support, categorical, and employer-administered); and the regulations vary according to who can claim (individuals or families), the entitlement amount, who is covered by the payment, and who actually receives it. But some regulations do not fit this four-way categorisation. For example, liable relative regulations have become so controversial that they almost form a category apart. Yet these regulations are of great importance for women, where they can produce the problem of *double dependency.* A lone mother, for instance, who claims family credit, has to get her new partner (if she has one) to fill in his side of the application form — resulting in the ridiculous situation where two men (the father and the new boyfriend) are both held financially responsible for the same child.

Some of this complexity is sometimes justified on grounds of economies of scale. Two people are said to be able to live more economically than one, so they need less benefit, but this rule of thumb is only applied if one is a woman and one a man, and they are married or cohabiting. Moreover the equivalence scales used in the benefit scale rates are more the product of history and politics than scientific enquiry. Whatever the reasons, two things are certain: family-based assessment units are unpopular with claimants, and result in a system that is incomprehensible and costs a fortune to administer.

This year the Department of Social Security will spend more than £3,500 million on administration alone — enough to raise child benefit by about £5 a week. Significantly, a disproportionate amount of those costs goes on unemployment benefit (21% of benefit costs), income support (15% of benefit costs), and the Social Fund (47% of the Social Fund budget) — compared with just over 2% for child benefit, which is the existing benefit closest to Basic Income.

One of the purposes of a Basic Income is to enable government to take advantage of computer technology without fear of abuse. For it is only by taking the individual as the assessment unit that the benefit system can be automated without fear of abuse. Imagine trying to automate a system that paid less to citizens who were married. Either legal marriage would fall out of fashion, or marriage would be re-defined to include cohabitation, and the Department of Social Security would be expected to keep track of the marital circumstances of some 45 million adults, throughout each accounting period — instead of the relatively small number affected at present.

Unfortunately, not everybody takes this view. In a book that otherwise promotes Basic Income, Steven Webb argues the case for family-based 'BIs' — by which he means lower 'BIs' for married and unmarried couples than for single people sharing accommodation — alongside an individually based income tax [Brittan and Webb 1990, Appendix 1]. Administration is mentioned, but the complexity of family relationships is greatly under-estimated. Nor does Webb address the most difficult questions — for instance to which spouse or partner the 'BI' would be paid, or to which 'family' unit a lone mother would 'belong' — that of the father paying maintenance, or that of her new partner?

Equal treatment. Although BI on its own cannot bring about equal treatment, its introduction would constitute a major advance in the desired direction. Individual assessment units would also accord with the principle of equal treatment for men and women in statutory and occupational social security systems. In October 1987, in a proposal for a Council Directive completing the implementation of that principle, the European Commission recommended the promotion of individual entitlement as an alternative to derived rights, because it would avoid the complexities of marital relationships:

> The principle of equal treatment requires derived rights to be granted without discrimination on grounds of sex. Nevertheless, it is clear that a breach of the marital relationship could endanger the very existence of derived rights and that for this reason a system of personal rights provides better guarantees for the social protection of spouses.

> [Commission of the European Communities, Proposal for a Council Directive completing the implementation of the principle of equal treatment for men and women in statutory and occupational social security schemes, COM (87) 494 final, 9466/87].

Unfortunately the Commission's proposal was returned by the Council in October 1991, and there has so far been no follow-up by the Commission. In 1991, however, the British government published a discussion paper on *Equality in State Pension Age* [DSS 1991], to which BIRG sent a response, and which we discuss in Chapter 6.

Symmetry. Despite tax reform during the 1980s, the existing tax and benefit systems retain many anomalies. Some penalise marriage while others favour it. For example, husbands get an extra income tax allowance (the *married couple's allowance* or MCA), as a result of which two-income married couples pay less income tax than two-income unmarried couples. On the other hand, the social security system pays considerably less benefit to married and unmarried (cohabiting) couples than to single people of the same sex living in shared accommodation.

Astonishingly, the Inland Revenue and the Department of Social Security (DSS) use different definitions of marriage. For Inland Revenue purposes marriage means legal marriage. By restricting the MCA to legally married couples, the Treasury gets an extra £8.27 a week from every unmarried, tax-paying couple — although unmarried couples with children can claim an *additional personal allowance* worth the same amount. By contrast, for DSS purposes marriage means cohabitation as well as legal marriage — which saves the Treasury £9.15 a week per unmarried couple on income support, and disqualifies unknown numbers of unemployed people from entitlement to income support, on the grounds that their partners have a liability to maintain them. Worse still, it is the DSS officials (not the claimant couple) who decide whether or not a couple are living together as husband and wife.

The MCA did not come about by chance. It was introduced to protect the after-tax living standards of single-earner married couples, typically where the mother has given up work to start a family. In such circumstances, because a tax allowance is no use unless you have the income to set against it, the mother forfeits her tax allowance, and the family risks being taxed on earnings below the poverty line. So the MCA, though assymetrical, does serve a purpose. The only solution which is symmetrical and also protects living standards is a Basic Income. But this possibility was rejected, allegedly on grounds of cost.

The regulation which gives the DSS authority to penalise women claimants who live with a man is called the *cohabitation rule.* With BI it would go. Every man and every women would get their own BI. Instead of penalising people who share accommodation, they would be encouraged to do so, since this would reduce their housing costs.

Incomes for wives. Within government it is taken for granted that income within families is always distributed equitably, as though guided by an invisible hand. Nobody, it is assumed, is greedy or improvident, so mothers and children always get their fair (though undefined) shares of family income. Even the Department of Social Security's *Households Below Average Income (HBAI)* statistics are based on this assumption. When reporting the number of people below certain income levels, the DSS counts individuals, not households, but *an individual's income is estimated by assuming that each person in a household shares a common income level, determined by the household's size and composition and its disposable income* [DSS 1992 (2), para 1.3].

The improbability of this assumption must be obvious to anyone. For we all know that the invisible hand may have a bias towards the local pub, bingo or betting shop. One of the main reasons for family strife is maldistribution of income within families, and men are not the only culprits, although they are more often in a position to become so. Despite legal changes to bring about equal treatment, most two-parent families still receive their benefit via the male partner. This leaves women with the responsibility for family spending, but without control of the family income — and explains why organisations concerned with poverty campaigned for family credit to be paid to the mother. Even in families where there are no such problems, most women prefer an income they can call their own. Which is why a huge majority support child benefit.

With Basic Income, every woman would get a modicum of independence. Husbands (including the Duke of Westminster) would pay more tax. Wives without an income would get one. Rich wives (like rich husbands) would pay more tax. In many families the difference would be cosmetic, but in others it would provide a lifeline.

4 WOMEN AS MOTHERS

Would the introduction of a Basic Income be family friendly? Would it help to relieve the pressures on family life wrought by unprecedently rapid social and economic change? Would it raise the living standards of families with children — or at least help them to raise their own living standards — by reducing their dependence on work-tested and means-tested social security benefits? Would it lead to a more equal distribution of income between men and women, husbands and wives? Would it help lone mothers in the tough job of bringing up their children single-handed?

In a recent survey of low-income families with children living on a run-down Exeter council estate, one of the most interesting findings was the clear-cut division of responsibilities between husbands and wives. Despite their need to earn money and their desire for personal fulfilment, all the mothers put their family responsibilities first, and this obligation was often in tension with the need to earn money, without which their families were unable to reach the living standards to which they aspired [Jordan 1992].

BI is about resolving that tension — or at least reducing it — by providing an income (small but utterly dependable) for non-earning and low-earning mothers — and for their children, including older children past school-leaving age. No strings would be attached to its receipt, except that the amounts for children would normally be paid to the mothers. Mothers with young children would not be preached at, or told what to do. Instead they would receive a small, monthly income, which would make staying at home (or paying for childcare) an easier choice. On the other hand they would be required to pay income tax on all but the first £20 of their weekly earnings (compared with £66 in 1992-93). With a Basic Income, the rate of the new income tax would depend on the BI amounts and the speed with which the non-personal income tax reliefs (for mortgage interest and private pensions) could be phased out. At first the tax rate could remain unchanged, but after abolition of national insurance contributions, it would almost certainly go up, and a standard rate of 35% (compared with 25% standard rate tax and 9% national insurance contribution at present) is not improbable.

(1) Family policy

BI is about investing in families — and giving children the opportunity to reach their full potential. Supporters of BI take a life-cycle approach to social security. During childhood and adolescence everyone would be a beneficiary, during working life most people would be net contributors (through unpaid as well as paid work), but during old age most would again become net recipients. The BIs for children and for non-earning parents (usually the mother) are also justified on the grounds that the costs of child-rearing — including the opportunity costs of not earning as well as the direct costs of food, shelter and so forth — are too heavy for most parents to bear on their own.

With BI every mother would receive a small cash income for herself (whether or not she was in paid work), and further amounts for each of her children. These amounts could be flat rate or age-related, and there would be no bonus for the first or eldest child. But expectant mothers could receive a *pregnancy supplement.* In return women (like men) would be required to pay income tax on almost all their other income, although the first slice of earned income (about £20 a week) would be tax free.

A huge advantage of BI is the help it would give to youngsters needing to train or study in order to get jobs. From age 16 they would each get a BI in their own right, whether or not they were at school, in paid work, or training. This makes sense in terms of economic policy (investment) as well as family policy (spreading the cost of educating and training each younger generation).

During the past decade poverty among young people has multiplied. According to the most recent *Households Below Average Income* statistics, which cover the period 1979-1988/89, the number of single people without children increased by 43% [HBAI 1992, Table B1], yet the percentage of single people without children in the bottom decile of the income distribution increased by over 200% (after housing costs) [HBAI 1992, Table D1 (AHC)]. In their analysis, the DSS lumps all single people without children together, as if they were a homogeneous group, yet due to unemployment, repeated benefit cuts, family break-up and homelessness, those who have borne the brunt of the increased poverty are single people in their late teens and early twenties. Moreover, although the HBAI counts them as separate benefit units (because their mothers no longer get child benefit for them), in family policy terms this is a statistical aberration, for many (if not most) remain heavily dependent on their parents.

Taking into account Britain's future industrial performance, the introduction of a small guaranteed income for young people from age 16 cannot come soon enough. Training credits, like the payment of university fees, are only part of the answer, because young people also need to eat. A Basic Income could help fill the gap.

(2) A transitional BI

In due course the BIs should be sufficient to replace income support (IS) and family credit, but this would require adult BIs of at least £33 a week (at 1992 prices) for adults of working age, and BIs for children sufficient to be able to abolish the IS age-related allowances for children, the family premium and the lone-parent premium (see Appendix). It would therefore take time to implement — maybe a decade — so the costs and redistributive effects are hard to estimate. In our discussions we therefore concentrated on a Phase 1 BI scheme, with very small, transitional BIs, no change to national insurance contributions, and the October 1991 tax and benefit systems as the reference point. These proposals were costed using Taxmod, a microsimulation program written by Holly Sutherland at the London School of Economics.

Most people who have studied BI are agreed that it would have to start small, and the scheme described below is one of several. Putting different sets of proposals through Taxmod helps to draw out their costs, as well as their redistributive and incentive effects. In each case the savings on existing benefits is deducted from the cost of the BIs, and the extra revenue as a result of abolishing the income tax allowances is added in. One aim is to concentrate help on needy families, but this is easier said than done. Taxmod shows that BI has the potential to become a highly effective instrument for income redistribution, but it also reveals areas - notably lone parents and widowed mothers — of extreme difficulty. Hence the choice of scheme is more complicated than might be expected.

Table 4 summarises one such scheme, with BIs of £13 a week for every adult and £10 for every child. An alternative would be to pay slightly lower BIs to adults and children alike. The point here is to illustrate the effects of a transitional BI on income distribution and dependence on means-tested welfare, and to discuss some of the problems involved.

Table 4: Transitional Basic Income, Phase 1
Illustrative weekly amounts, tax rates and tax credits
October 1991 values

Adult BIs: £13
Child BIs: £10
Earned income tax credit: £5
Starting rate of income tax: 25%
National insurance contributions: no change

In 1991-92 it would have been possible to introduce transitional BIs of £13 a week (£676 a year) for adults and £10 a week (£520 a year) for children on a revenue neutral basis, with no change to national insurance contributions or the rates of income tax. All the personal income tax allowances (except age allowance) would be abolished, but the first £20 a week of earned or self-employment income would be tax free (in the form of a fixed-amount £5 tax credit). One-parent benefit and the national insurance child additions for widowed mothers and pensioners (see Appendix for explanation of technical terms) remain unchanged, but the BI amount is deducted from the adult rates of national insurance benefits (which also become tax-free). Adjustments are made to pensioners' age allowances (for income tax), to ensure that most pensioners neither gain nor lose, although better-off pensioners lose slightly. Higher-rate tax is charged at 40%, as in 1991-92, but the effective threshold is reduced, because the tax rate is applied as soon as taxable income reaches £23,700 instead of £23,700 plus the tax allowances.

Table 5 shows how this BI proposal would operate for a single-wage married couple with 2 children. The family's combined BI guarantee is £46, which is just under half the income support allowance for a couple with two children aged under eleven (£98.15) . If the father earned £200 a week, the family would gain just over £10 by comparison with the October 1991 system. If the father became unemployed, the family's income support entitlement would be £98.15 – £46.00 = £52.15, plus rent/mortgage interest, 80% of poll tax, and passport benefits (see Appendix) as now.

Table 5: Transitional Basic Income
Single-wage married couple with two children, 1991

At earnings of £200 a week the family's net income becomes:

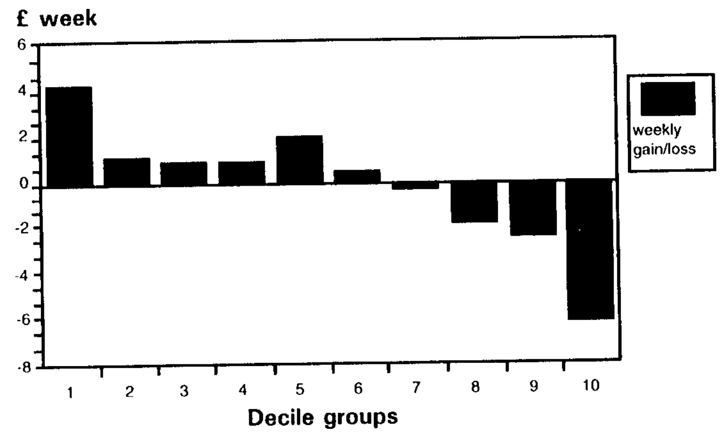
		£ week
	Earnings	200.00
–	Income tax	45.00*
–	NI contribution	14.36
+	Adult BI x 2	26.00
+	Child BI x 2	20.00
=	Net income	186.64
cf	Net income Oct 91	176.50

* Calculated thus: 25% £200 – £5

Although the scheme is revenue neutral, it involves huge changes. Revenue from income tax goes up by nearly £22,000 million (due to abolition of the income tax allowances), but this increase is more than offset by the adult BIs (£29,000 million), and by increased child benefit (£1,000 million). Savings on existing benefits include: £6,000 million on pensions, £1,600 million on income support, and £1,500 million on widows', unemployment, sickness, maternity, and invalidity benefits. Put this way the figures look like a £22,000 million tax increase, but this is a presentational problem. If the BIs paid to income tax payers were shown in the national accounts as tax credits (i.e. tax foregone) the problem would go away.

Figure 2: Transitional Basic Income

Average weekly gains/losses, equivalent net income deciles, all families, Oct 1991



Source: Taxmod

The redistributive impact of the scheme — from rich to poor — is illustrated in Figure 2. The families are ranked in income deciles (10 x 10% groups), and in order to adjust for the fact that large families need more income than small families, the figures have been divided by the following equivalence ratios: 1.0 for single people, 1.6 for couples, and 0.4 for each child. In other words, an income of £100 a week for a single person is considered to be 'equivalent' to an income of £200 for a couple with one child, and £240 for a couple with two children. In the bottom decile the average gain is £4.20 a week, in the top decile the average loss is over £6 a week. The gain of £1.65 a week in decile 5 is explained by the large number of families with children concentrated in this decile.

Remember, however, that these are average figures. Within each decile, some families are unaffected, some gain and some lose. In the bottom decile, 60% of families are unaffected, 4% gain up to £5 a week, 24% gain between £5-£15, and 7% gain over £15 a week; but 3% lose up to £5, and 2% lose £5-£15 a week. In the second decile, 69% are unaffected, 11% gain up to £5, and 10% gain £5-£15; while 9% lose up to £5 and a few lose rather more. Middle-income and better-off families are more likely to be affected than those on low incomes. In decile 5, more than a third gain up to £5 and nearly a third gain £5-£15. In each of deciles 6-9 over 40% gain up to £5 a week (mainly families with children). In the top decile 29% gain up to £5 a week, but 26% lose up to £5 a week, a further 26% lose £5-£15 a week, and 19% lose over £15 a week.

(3) Problems

Any proposal to redistribute income produces losers as well as gainers. The difficulty is to ensure that those who lose can afford to do so (and broadly accept it as fair), and those who gain need the extra income. Although, in our illustrative scheme, gainers far outnumber losers at the bottom of the income distribution, the scheme needs refining to protect the losers, who are mainly lone mothers, invalidity pensioners and people with investment income only. Lone mothers lose because their BIs are insufficient to make up for loss of their additional personal allowance (with income tax), despite retention of one-parent benefit. Invalidity pensioners lose because at present they get income tax allowances as well as tax-free invalidity benefits. With BI their invalidity benefits would remain tax free, but they would be taxed on their other income, like everybody else. People with unearned income lose because their £13 BI is less than the value of their existing personal income tax allowance, and with this scheme people with unearned income don't qualify for the £5 tax credit [Table 6].

Higher up the income distribution, the main losers are higher-rate taxpayers without children. They lose because the BI is based on the weekly value of the personal income tax allowance at standard-rate income tax, not higher-rate as at present [Table 6]. This means that income tax would be payable at 40% as soon as taxable income (excluding the BIs) reached £23,700 a year, instead of £23,700 *plus the*

tax allowances at present. A single, childless high earner loses £7.35 a week (£382 a year). A married man, also earning, loses £20.58 a week (£1070 a year), although this loss would in many cases be partly offset by the BI for non-earning wives. Higher-rate taxpayers with unearned income only would lose an extra £5 a week over and above these amounts.

Table 6: Transitional Basic Income
Weekly values of 1991-92 income tax reliefs, compared with the BIs

	Standard rate tax £	*Higher rate tax* £
Existing system		
Personal income tax allowance	15.84	25.35
Married couple's allowance / Additional personal allowance	8.27	13.23
BI system		
Adult BI	13.00	
Earned income tax credit	5.00	

The above findings are important. BIRG's aim is a tax-benefit system based on the following criteria, but some of them may be incompatible:

- An 'equivalent' level of basic protection for every citizen
- Individual tax-benefit units
- Minimal reliance on means-tested benefits
- Gradual abolition of work-tested benefits
- Benefit categories that can be automated without fear of abuse
- Symmetry between men and women, married and single
- No losers at the bottom of the income distribution
- Revenue neutrality

Unfortunately, the desire for symmetry conflicts with the need to protect living standards at the bottom of the income distribution and the need for revenue neutrality. For we are starting from a benefit system which is grossly assymetrical and an income tax system that has lost much of its progressivity — yet we cannot adjust upwards, due to the extra cost.

The BI 'equivalence' requirement also raises difficulties, because nobody knows how much income families of different sizes and composition need to reach living standard 'equivalence', although the work of the Family Budget Unit may throw light on the issue [Bradshaw *et al* 1992]. Certainly the equivalence principle requires a benefit system that takes into account the extra costs associated with disability, pregnancy, and lone parenthood. Those that result from disability (at any age) could be dealt with through a *disability costs allowance* (DCA). Pregnancy costs could be dealt with through a BI pregnancy supplement. A pregnancy supplement of £10 a week from the twelfth week of pregnancy (about 28 weeks in all) would cost about £225 million a year gross, but the real cost could be negative if balanced against savings in health expenditure later on. The extra costs of lone parenthood are more difficult to establish, although once again the work of the Family Budget Unit may help.

Arguably, a BI with no strings attached would be worth more, £ for £, to its recipients than work-tested, means-tested income support. Nevertheless it was the group's opinion that families at the bottom of the income distribution should not be allowed to lose out financially from a switch to BI. For instance special arrangements for lone parents would be necessary.

(4) Lone parents

With the scheme just described, the BIs, though strictly symmetrical between married and single, are less than the value of existing provisions for widowed mothers and for divorced, separated and single mothers — all of whom stand to lose, even though one-parent benefit (worth £5.60 a week) is retained. These losses occur because the scheme abolishes the additional personal allowance (APPA) for income tax without putting anything in its place (Table 6). Which raises important conceptual problems — for instance whether it is possible to combine symmetry with adequacy in a BI scheme, and if not whether the best solution is to provide additional support for lone parents outside the BI system.

Widowed mothers. Under EC law widows and widowers may eventually be treated alike, but with a BI system this would happen automatically. That, in any case, is not the only anomaly. Under current arrangements widowed lone mothers are treated more generously than other lone mothers. National insurance widowed mother's allowance is neither work-tested nor means-tested, so widows can build on it by going out to work (like a BI) and many do.

In October 1991, flat-rate NI widowed mother's allowance was £52 a week (taxable), plus £10.70 for each child (tax-free); plus child

benefit of £9.25 for the first child and £7.50 for each subsequent child (also tax-free); making £90.24 in all for a widow with two children. For income tax, a widowed mother had her personal allowance worth £15.84 to standard-rate taxpayers and an additional personal allowance worth £8.27.

Table 7: Transitional Basic Income
Components of widowed parents' incomes
Widow/er with two children, October 1991

Existing system		£ *week*	*BI system*		£ *week*
A. NO OTHER INCOME					
NI widowed mother's benefit		52.00*	NI widowed mother's benefit		19.00**
Two NI child additions	+	21.40**	NI child additions	+	0.00
Child benefit 1st child	+	9.25	Adult BI	+	13.00
Child benefit 2nd child	+	7.50	Two x child BIs @ £10	+	20.00
Total	=	90.15	BI widow's supplement	+	20.00
			Two x orphans' BI supplements @ £10	+	20.00
			Total	=	92.00
B. EARNINGS £100					
Earnings		100.00	Earnings		100.00
Benefit (adult)	+	52.00*	BIs	+	73.00
Benefits (children)	+	38.15**	Residual NI benefit	+	19.00**
NIC no change	–	5.36	NIC no change	–	5.36
Income tax	–	13.89	Income tax	–	25.00
	=	170.90	Tax credit	=	10.00
				=	171.64

* Taxable ** Tax-free

One way to protect widowed parents against removal of their additional tax allowance would be through a tax credit of £10 a week (instead of £5 for everybody else), against earned and/or unearned income. Also, to speed up the phasing out of national insurance widowed mother's allowance, £20 of it could become a widowed parent's BI supplement; and the NI child additions could be replaced by orphans' BI supplements of £10 per child. These changes would rationalise the benefit treatment of the children (each would get £20). A widowed mother with two children would gain £1.85 a week if she was not in paid work, and £0.74 if she earned £100 a week (Table 7).

With the existing tax-benefit systems, the mother's NI benefit is taxable, but not the amounts for her children. With a BI system, all the

BIs and the residual NI benefit would be tax-free, but all other income would be taxable, except that £10 would be deducted from the widow's weekly tax bill.

Divorced, separated and single mothers. Ideally, even a Phase 1 Basic Income scheme would move in the direction of equal treatment for all lone parents; would reduce dependence on work-tested and means-tested benefits; and would result in net incomes at least as high as at present. In practice, however, the first of these objectives may not be attainable. For the widows' BIs can be set against their national insurance benefit, but there is no national insurance protection against divorce or separation. Also there is the crucial difference (in the eyes of the taxpayer) that the absent parent in the case of a divorced, separated or single mother is still alive, and should contribute to her maintenance. Certainly any BI scheme would reduce a lone mother's dependence on income support, but to ensure that lone mothers do not lose out in money terms from a transitional BI, additional provisions are necessary. Two main options were discussed, each of which would have to be administered outside the automated BI system:

- A higher rate of one-parent benefit (OPB)
- Guaranteed maintenance allowances (GMAs)

The amount of OPB necessary in 1991-92 to offset loss of the additional personal allowance would have been £13.87. If the OPB were £15, lone parents would gain £1.13. In 1991-92 OPB was being paid to 835,000 families [DSS 1992, Table 6] at a cost of about £250 million. The extra cost if OPB were increased to £15 a week would be about £400 million. In France the equivalent of OPB is payable for at most three years, or until the youngest child is three. In the UK a similar regulation would have to extend payment until the youngest child was at least five, because Britain does not have the equivalent of France's *écoles maternelles* (for three- to five-year-olds), nor do we have adequate out-of-school provision. Most of the study group were in any case opposed to time limits.

The net cost of a GMA would be less than the OPB, since most of the money would be recouped from the absent parents. If a GMA of £10 were paid to each child in a lone-parent family, the total guaranteed amount per child (BI plus GMA) would be £20 — the same as for orphans. Additionally there could be an adult (as carer) GMA. All the GMAs would count as a resource for income support, but would be tax free. Table 9 shows that the GMA option would be more

successful in reducing dependence on income support and family credit. Another advantage of the GMA proposal is that it would facilitate abolition of the cohabitation rule, provided any new spouse (or partner) was not held responsible for another man's child.

Table 8: Transitional Basic Income
Components of lone parents' incomes, GMA/OPB options
Mothers with two children aged under 11, October 1991

A. NO OTHER INCOME

Existing system			*GMA option*			*OPB option*		
		£ week			*£ week*			*£ week*
OPB		5.60	Adult BI		13.00	Adult BI		13.00
Child benefit	+	16.75	Child BIs	+	20.00	Child BIs	+	20.00
Income support	+	57.65	Carer's GMA	+	10.00	OPB	+	15.00
Total	=	80.00	Child GMAs	+	20.00	Income support	+	32.00
+ housing			Income support	+	17.00	Total	=	80.00
80% poll tax			Total	=	80.00			
passport benefits			+ housing etc			+ housing etc		

B. EARNINGS £100

Earnings		100.00	Earnings		100.00	Earnings		100.00
OPB	+	5.60	BIs	+	33.00	BIs	+	33.00
Child benefit	+	16.75	GMAs	+	25.00	OPB	+	15.00
Family credit	+	35.65	Family Credit	+	14.11*	Family credit	+	24.11*
NI contribution	–	5.36	NI contribution	–	5.36	NI contribution	–	5.36
Income tax	–	0.89	Income tax	–	15.00**	Income tax	–	15.00**
Net income	=	151.75	Net income	=	151.75	Net income	=	151.75

* These are the famly credit amounts necessary to leave the family no worse off than before
** 25% £100 — tax credit of £10

Under present arrangements a number of income disregards exist, for instance £15 of maintenance is ignored in calculating a lone mother's entitlement to family credit, housing benefit and community charge benefit; and £25 of earned income is ignored in calculating entitlement to housing benefit and community charge benefit. These, or similar arrangements, would continue to be necessary, in order to prevent some lone parents from being worse off.

In line with the proposal of the Finer Committee on One-Parent Families [Finer 1974, para 5.104], the GMAs could be paid by the Child Support Agency in advance of collection from the absent parent. The GMAs would be tax-free. Like one-parent benefit, they would be fully portable. But unlike one-parent benefit, they would facilitate rationalisation of the tax-benefit treatment of lone parents, by ensuring that the children of all lone parents received £20 a week.

For lone mothers the proposed BIs plus the GMAs could mark the beginning of the end of exclusion through welfare. Instead of being labelled and treated as an underclass, the state would guarantee them the minimum support for their children that they require. In theory the GMAs could be introduced within the existing benefit system, but residual dependence on income support would be far less if they were introduced as part of a switch to Basic Income. Although this part of the transitional BI proposal has not been costed, the extra cost would be largely offset by savings in other benefits (notably income support), as well as the incalculable advantages of making it easier for lone mothers to take paid work, although this, as will be shown, would also require action on childcare.

5 WOMEN IN PAID WORK

Basic Income is not just about providing a guaranteed income below which nobody is allowed to fall. It is also about moving towards more equal treatment of men and women – *whether they do paid or unpaid work* – more autonomy, and more choice for women and men alike. A Basic Income would give women more choice by shifting the balance between paid and unpaid work, and giving tangible recognition to the value of the unpaid work done by women (and some men) on behalf of their families and local communities. But a BI would need to promote paid work as well, otherwise there would be financing problems. This conflict between freedom of choice and the need to generate wealth is central. Advocates of BI do not decry the work ethic, but they do want to adapt it to post-industrial societies.

At this stage nobody can be sure what the labour-market effects of a BI would be. Although in theory it should be possible to obtain broad indications using econometric and computer analysis, in practice it is extremely difficult. The accuracy of the models depends on the accuracy of the assumptions fed into them, and there are few (if any) labour-market models that look beyond the immediate effects of change. It is nevertheless generally accepted that women are more likely to alter their labour-market participation as a result of tax or benefit changes than men.

(1) BIRG'S labour-market study group

The labour-market implications of BI were investigated by BIRG's labour-market study group [BIRG 1991], and its advantages were reckoned to be the following:

- Alleviation of unemployment
- The individual as the assessment unit
- Improved work incentives
- Income maintenance during study and training/re-training
- Improved labour market flexibility
- Tangible recognition of the value of unpaid work

These advantages are linked. For instance, income maintenance during study and training would reduce the risk of unemployment, because by encouraging training more people would have more skills; being assessed as an individual would enable the wives of unemployed men to take whatever paid work was available without affecting their husbands' BI entitlements; and the payment of BIs to carers and voluntary workers would reduce the number of women and men looking for paid work, when jobs are scarce.

The first question addressed was whether a BI would be more or less likely than reform within the existing tax and benefit systems to protect people against the labour-market consequences of social, economic and technological change; help them respond to it; and promote the competitiveness of British industry. To which the answer given was that although BI could make a significant contribution, it is no panacea. Also, to maximise its effectiveness, it would need to be introduced slowly, as part of a wider package, including government action on work-related childcare.

Another issue is how to make BI acceptable to workers, potential workers, employers and unions. Fears are often expressed that BI might operate as a wage subsidy for low-paying employers, institutionalise dual labour markets, and trap people in lower-paid, insecure jobs. The introduction of a national minimum wage (expressed in hourly terms) is thought by some to be the best way of avoiding this. Others take the view that minimum wages would keep people with low earnings potential out of the labour market, and a main advantage of BIs is precisely that employers would be able to pay wages geared to the market value of individual workers, without having to bother about their personal needs or family responsibilities – but the strength of this argument clearly depends on the BI amounts. Whilst recognising that the case for some sort of minimum wage is as strong as ever, and agreeing that its introduction would make BI more acceptable to the unions and the lower paid, BIRG's labour-market group concluded that BI and a national minimum wage, although compatible, are separate issues, each of which needs to be judged on its merits.

(2) Women work for money

Why have the labour-market participation rates of married women increased so dramatically during the past thirty years? Money is not the only reason. Independence, self-fulfilment, adult company, and the advent of labour-saving devices in the home are all important. Yet the need for money — for oneself and for one's family — is clearly central. And the financial pressures are increasing. High rents and mortgage repayments, lower child benefits, the increasing duration of child dependency (higher school-leaving age, youth unemployment, more school leavers in further education and so on), all lead mothers to conclude that they should go out to work.

According to the Family Budget Unit a family with two children aged 16 and 10, living in a local authority, three-bedroom, terraced house in York needed pre-tax earnings of about £416 a week in April 1992, in order to reach a *modest-but-adequate* living standard, with the latter defined as a level sufficient to *satisfy prevailing standards of what is necessary for health, efficiency, the nurture of children and participation in community activities* [Bradshaw et al, 1992]. It is not a luxurious standard. The family is assumed to own a small car and take one holiday a year in self-catering accommodation in Blackpool. Yet £416 a week compares with average male manual earnings in April 1992 of only £268 a week [DE Gazette Nov 92, p 580].

Starting, therefore, from the premise that most women (like most men) go out to work because they need the money, and bearing in mind that most married women work part-time, the group concentrated on the likely effects of BI on:

- Women's net earnings, especially part-time workers and lone parents
- Women's work incentives
- Wage differentials between men and women

(3) Effects of BI on women's net earnings

As explained, more than twice as many men as women were gainfully occupied until the 1960s, after which the proportion of men started falling and the proportion of women started rising. By 1990 an estimated 56% of the workforce were men, and 44% were women (Figure 1). But those figures disguise the fact that most of the increase in women's activity rates is accounted for by married women, most of whom work part-time. Unlike men, the work status of women varies by age and according to the number and ages of their children. Until they have children most women work full-time, but once they start their families most either leave the labour force or work part-time (Table 9).

Table 9: Economic activity of women aged 16-59,* GB, years 1987-89 combined

		WORKING		
		Full-time %	*Part-time* %	*All* %
1	*Marital status*			
	Married	31	34	66
	Non-married	54	13	70
2.	*Age*			
	16-29	52	14	68
	30-39	31	35	66
	40-49	35	39	74
	50-59	26	31	58
3.	*Dependent children*			
	None	53	21	76
	One	24	34	58
	Two	17	43	60
	Three or more	12	33	45
4.	*Age of youngest dependent child*			
	No children	59	16	77
	0-4	11	26	38
	5-9	17	48	66
	10 or over	30	44	74
	Non-dependent children only	32	28	70
5.	*Highest qualification attained*			
	GCE 'A' level or equivalent or above	55	24	79
	Other qualifications	42	27	71
	No qualifications	23	33	57

* Excluding full-time students
Source: *General Household Survey, 1989,* Table 3.22, OPCS, 1991

Women in full-time work. Women without children would be the least affected by BI, because they are more likely to be in full-time work. At October 1991 tax and benefit rates, and assuming the transitional BI scheme proposed in Chapter 4, most women in full-time paid work would be £2.16 a week better off than under the existing system. For the combined value of their BI (£13) plus their earned-income tax credit (£5) would be £18, compared with a personal income tax allowance worth £15.84 in 1991-92 to standard-rate taxpayers. On the other hand, if they were higher-rate taxpayers they would lose £7.35 a week (c £382 a year).

With a partial BI equal to half the income support rate for a married couple (£33 in 1992), gains or losses would depend on the detail of the scheme, especially the rate of the new income tax, the amount of the earned-income tax credit, and the future of the tax reliefs for mortgage interest and private pensions. But a minority of women with earnings above the *upper earnings level* (UEL) for employees' national insurance contributions (£403 a week or £20,956 a year in 1992-93) would lose, because national insurance contribution would be subsumed within the new income tax, which would certainly be more than its present 25%, and would be payable (unlike the NI contribution) on earnings above the UEL.

Women in part-time work. It is impossible to understand the role of women in the British labour market without first getting to grips with our extraordinary system of national insurance contributions. On earnings below the lower earnings level (LEL), which is the same as the State Category A retirement pension (£54 a week in 1992), no contributions are payable. On earnings above the LEL employees have to pay 2% on the first £54, and 9% on the balance up to £403 — but if they are contracted out of Serps, the 9% rate becomes 3.85%. Meanwhile employers have to pay at the ascending rates shown in Table 10, again with substantial reductions for those who have contracted out of Serps. Above the *upper earnings level* (UEL) the rate is 10.4% for all employers.

This system encourages employers to take on several part-time employees rather than one full-time employee. And there is a tax bonus for part-time employees earning less than £54 a week.

About 50% of women in paid work are part-timers. "We can only offer you £50", say the employers, "but it'll be tax free." And the women are hooked. One result is that they receive no benefits if they become unemployed, or ill, or need maternity leave [Millar 1989].

Worse still, unless they are entitled to home responsibilities protection (e.g. mothers drawing child benefit), they also jeopardise their entitlements to old age pension. But so it is. Most women prefer work that is close to home and can be fitted in with their family commitments, for instance the hours of the day when their children are at school. Many do not understand the implications of not paying national insurance contributions for their old age pensions.

Table 10: National insurance contributions and earnings levels 1992-93

Earnings levels	*Employees*	*Employers*	
		Not contracted-out rate	*Contracted-out rate*
£ week	*%*	*%*	*%*
£0 — £54	nil	ni	nil
£54 — £89.99	2% of £54 + 9% (or 7%*)	4.6	0.8
£90 — £134.99	of that part of earnings	6.6	2.8
£135 — £189.99	which exceeds £54	8.6	4.8
£190 — £403	but does not exceed £403	10.4	6.6

* The lower rate applies if the employee is contracted out of the state earnings-related pension scheme (Serps). On earnings above the upper earnings limit (£403) employees pay no further NI contributions, but employers pay at 10.4%, whether or not they are contracted out of Serps.
Source: Government Actuary, December 1991, Appendix

Table 11 compares part-time net earnings under the existing tax and benefit systems (in October 1991) with the transitional BI system described in Chapter 4, for two-parent families. No account is taken of means-tested benefits. In 1991-92, child benefit was £9.25 for the first child and £7.50 for each subsequent child, the income tax threshold was just over £63 a week, and the lower earnings level for national insurance contributions was £52 a week. Hence the inclusion of part-time earnings of £50. If women's wage rates are ever to reach parity with men's, the national insurance notch problem has to go. With BI it would go, but not until national insurance contributions have been abolished, so not with a Phase 1 BI scheme. At first the best we can hope for is reduced dependency on means-tested benefits, and ensure that part-timers are no worse off. In fact, as the figures show, they should be better off.

Table 11: Net incomes of married women working part time, £ week

	Earnings £	*Oct. 91* £	*BI system* £	*Gain/loss* £
1. No children	50.00	50.00	55.50	+5.50
	75.00	68.98	71.14	+2.16
	100.00	85.48	87.64	+2.16
2. One child	50.00	59.25	65.50	+6.25
	75.00	78.23	81.14	+2.91
	100.00	94.73	97.64	+2.91
3. Two children	50.00	66.75	75.50	+8.75
	75.00	85.73	91.14	+5.41
	100.00	102.23	107.64	+5.41

(4) The poverty and unemployment traps

From the evidence available it is generally accepted that married women have a more volatile relationship with the labour market than men. Which, given that so many put their family responsibilities first [Jordan 1992], is not surprising. The point is that staying out of the labour market has nothing to do with a *benefit mentality* or an unwillingness to work. It is because women tend to have a different order of priorities to the politicians and bureaucrats responsible for the social security system — most of whom are men. Also the earnings potential of many women is too low for them to be able to afford the high-quality childcare they would want for their children if they did go out to work.

Paradoxically there are individuals and pro-family lobbies who argue that a tax-benefit system which discouraged married women from doing paid work would be a good thing, since a woman's place is in the home. But this was not the view of BIRG's study group, firstly because one of the aims of BI is to give women as well as men more real choice, and secondly because the contribution made by some married women to wealth creation is potentially more valuable to the British economy than the contribution made by some married men. In other words, in a free society, especially one that boasts a free market economy, neither sex should be artificially advantaged or disadvantaged.

Under the present tax and benefit systems there is no doubt at all that families with low earnings potential are severely disadvantaged

during their child-rearing years — not because their out-of-work benefits are too generous, but because their earnings net of tax and work expenses are too low — despite child benefit. Above all it is not the fault of the families.

The poverty trap. Table 12 illustrates the problem, as it would affect a hypothetical two-parent family living in local authority housing in 1992-93. On earnings up to £188 a week, marginal tax rates vary between 80% and 99% — in other words families are left with between 1p and 20p out of every extra £ they earn. This happens because they are charged income tax, national insurance contribution and poll tax *at the same time* as their means-tested benefits are being withdrawn. Many would not need means-tested benefits if they were not taxed beyond their ability to pay in the first place.

Table 12: The poverty and unemployment traps Married couple with 2 children aged 4 and 6, 1992-3, £ week

A: THE POVERTY TRAP

Earnings	*Child benefit*	*Income tax*	*NIC*	*Family credit*	*Rent*	*Rent rebate*	*Poll tax*	*PT rebate*	*Net income*	*Gain from earning an extra £25*
75.00	17.45	0.00	2.97	58.00	29.98	8.87	10.54	3.56	119.39	–
100.00	17.45	0.14	5.22	42.17	29.98	4.46	10.54	2.54	120.74	1.35
125.00	17.45	5.14	7.47	29.74	29.98	1.00	10.54	1.74	121.80	1.06
150.00	17.45	10.75	9.72	17.75	29.98	0.00	10.54	0.97	125.18	3.38
175.00	17.45	17.00	11.97	6.20	29.98	0.00	10.54	0.23	129.39	4.21
200.00	17.45	23.25	14.22	0.00	29.98	0.00	10.54	0.00	139.46	10.07

GAIN FROM EARNING £175 INSTEAD OF £75: £10

B. THE UNEMPLOYMENT TRAP

Net income when unemployed on income support:

Income support	*Child benefit*	*Income tax*	*NIC*	*Rent*	*Poll Tax*	*Free school meals*	*Free welfare foods*	*Net income*
87.55	17.45	0.00	0.00	0.00	2.11	3.17	2.52	108.58

EARNINGS NECESSARY TO BE £20 A WEEK BETTER OFF BY WORKING: £170

Source: Department of Social Security, Tax/Benefit Model Tables, Sept 92, and own calculations.

The unemployment trap. Worse still, the tax system makes no allowance for work expenses. Notice the tiny gap in Table 12 between net weekly income when the parents are out of work receiving income support, and when the father is in paid work. Unemployed on income support the family gets £108.58 (including free school meals and free welfare milk for the children). In work the father needs earnings of £170 a week in order to be just £20 a week better off. But that £20 is likely to be swallowed up by work expenses (travel, lunches, trade union dues and super-annuation), which the Department of Social Security omits from its tax/benefit model tables.

Can mothers rescue their families from this sort of situation? Not unless they can earn sufficient to lift the family well clear of family credit entitlement levels, which will depend on the number and ages of their children, the family's housing costs, their poll tax (or council tax), and the work expenses associated with any job offer. Suppose that a mother decides to supplement her family's income by taking part-time work at £50 a week. So long as the father is earning above the entitlement levels for family credit, then her extra £50 would be well worthwhile. But it is not worthwhile if the family are on family credit — for in that case most of the mother's £50 wage is deducted from their benefit entitlement. Unfortunately, with large families the ceiling for family credit is now above average earnings for male manual workers (£268 in April 1992). With four children aged 3, 8, 11 and 16, and assuming housing costs of only £29.98 (which seems unlikely), the first earner in the family needs wages of £272 a week before the family's marginal tax rate falls below 88% [DSS, September 1992].

In Table 12 the family is assumed to live in low-cost local authority housing, but if their rent were higher or they were owner occupiers, their situation would be far worse than the figures suggest. Unemployed owner occupiers get their mortgage interest paid in full. In work they have to pay it, even if they are receiving family credit. Of course, the figures in Table 13 are illustrative. Some families are worse off and others better off than the figures indicate. But they do explain why a disproportionate number of families with children are on the dole. Those most at risk are large families, families where one parent is long-term sick or disabled, and lone mothers. Unless the lone mothers have a friend or relative who will look after their children, paid work is not a realistic option.

Hence a large part of the case for a Basic Income that would stay with people whether or not they were in paid work.

It would be wrong, however, to pay too much attention to the figurework. During recent years — due largely to the popularity of tax-benefit models — it has become customary to compare different reform proposals in terms of marginal tax rates and replacement ratios. A proposal that raises marginal tax rates is automatically reckoned to be inferior to one that reduces them, and a proposal that reduces replacement ratios is reckoned to be superior to one that raises them. In real life, however, it is doubtful if families react in this way. From the evidence available, they seem more concerned with risks and regulations than with replacement ratios and marginal tax rates [Millar *et al* 1989; Jordan *et al* 1992]. The mothers are also concerned with the cost of good quality childcare, and with the effects of any money they may earn on their husbands' benefit entitlements. For earnings of more than £5 a week are deducted £ for £ from income support, and if either parent does paid work for more than 16 hours a week all income support (including mortgage interest) is taken away. Which helps to explain why comparatively few wives do paid work if their husbands are unemployed (Table 13):

> One of the main consequences of relying on family-based, means-tested support for unemployed men is that the whole family becomes unemployed. The wife has no incentive to stay in or take up part-time employment because this simply leads to loss of benefit; nor full-time employment because her wages as a woman would be too low to keep the family. Because she has no separate source of income the husband needs a "family wage" to keep the family... [Millar, 1988, pp 157-8].

Table 13 : Proportion of families where the woman is employed, by employment status of the man, GB, 1973-89

Year	*Man employed* %	*Man unemployed* %
1973	55	34
1975	59	37
1979	62	32
1981	61	33
1983	61	30
1985	62	22
1987-89	71	28

Sources: 1973-85 *General Household Survey, 1985,* Table 6.18, OPCS 1987
1987-89 *General Household Survey, 1989,* Table 3.20, OPCS 1991

With BI, much of this would change. With a partial BI each adult would receive about £33 a week, and mothers would also receive

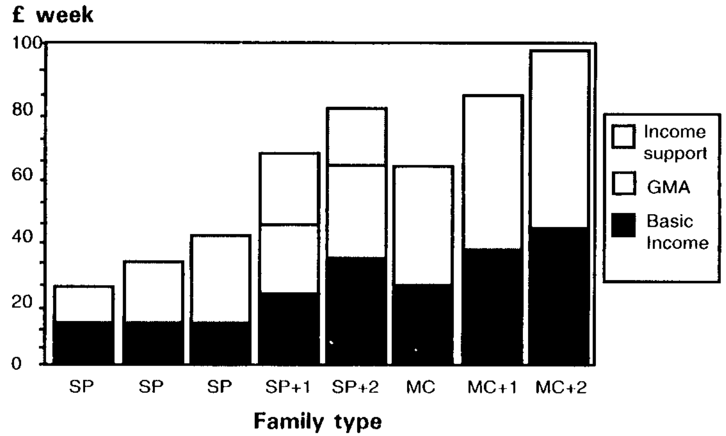
BIs for their children. Income support and family credit could be phased out, and spouses would be able to take employment decisions without affecting the benefit entitlements of each other. It nevertheless has to be said that even with a partial BI of £33, unemployed and lower-paid families would continue to need some sort of residual income-tested or means-tested benefit (e.g. housing benefit) for which the assessment unit would almost certainly be the family. Which is one reason why some members of BIRG's labour-market study group favoured the introduction of a statutory (or at least a recommended) national minimum wage. A minimum wage set at a level sufficent to ensure that nobody working full-time need rely on means-tested benefits (after taking into account their BIs) would reduce the poverty and unemployment traps to acceptable proportions. Yet even this suggestion presupposes housing and childcare at affordable prices.

A transitional BI scheme would need to be carefully structured. To begin with the BIs are unlikely to exceed half the different income support allowances and premiums, although the inclusion of Guaranteed Maintenance Allowances for lone parents would greatly reduce their dependence on income support. People who were out of work would be able to choose whether to top up their BIs with residual income support (with all the restrictions it entails), or to top up their BIs through part-time or casual work, knowing that the first slice of earned income would be tax free. Figure 3 illustrates the changes involved. The couple with two children are assumed to get BIs totalling £46 a week (£13 per adult and £10 per child), compared with income support allowances and a family premium of £98.15. Provided they do not claim income support, there is no work test or earnings restriction, each spouse can earn £20 tax free, and they can also claim housing benefit and family credit. On the other hand, if they cannot find any work, they always have IS to fall back on. For the lone parent with two children dependence on income support, due to the GMAs, goes down to £17.

The difficulty with this proposal is the cross over from income support to family credit, including the new 16 hour rule. Some of the regulations would require simplification, and some of the disregards, particularly for lone parents, would have to be preserved (Chapter 6, Section 6). Also, there is a strong case for including mortgage interest in the net income formula for family credit — for both one-parent and two-parent families. Otherwise families with mortgages have less incentive to exchange income support for family credit.

Figure 3: Transitional BIs and GMAs as proportions of income support entitlements for out-of-work families

Transitional BIs and GMAs as %s of Income Support, October 1991



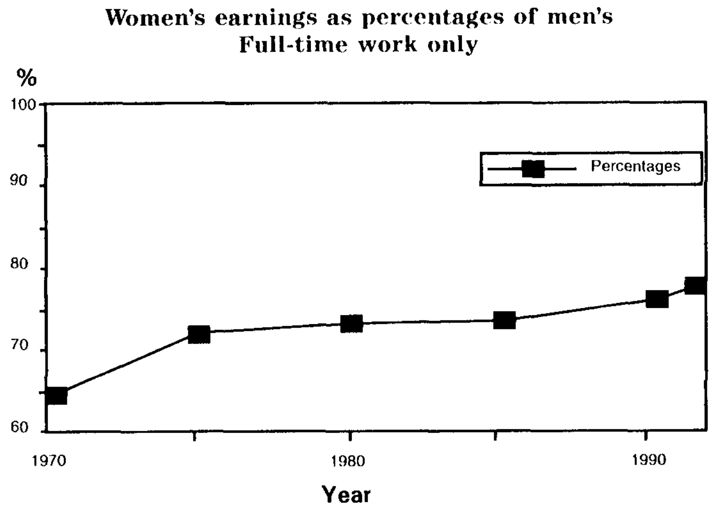
Key: SP = single person aged (a) under 18, (b) 18-24, (c) 25 or over
SP1 and SP2 = single person with (a)1 and (b) 2 children
MC = married couple; MC1 and MC2 = married couple with (a) 1 and (b) 2 children

(5) Equal pay

The position of women as secondary earners, and the incentive for them to do paid work, is also affected by wage differentials between men and women. Figure 5 shows that women's earnings as a proportion of men's increased from 63% in 1970 to 78% by 1991. But the figures make the situation look better for women than it actually is, because they refer only to women working full-time. In other words, about half the female workforce, including those who earn the least, are excluded. Even when they work full time, women earn less (on average) than men. Those working part-time earn even less, and many also forfeit their rights to national insurance benefits.

Looking back to Table 9, one builds up a picture of multiple disadvantage. The typical part-time worker is female, aged 30-49, unqualified, with two children aged 5 and over. She works because she needs the money, but she puts her family responsibilities first. She takes almost any job that 'fits'. Free childcare, or a childcare voucher, are perks she will jump at, even if they mean low pay. For in most families, despite women's emancipation, the wife's paid job is still regarded as the marginal one, and it is she who is expected to pay for the childcare.

Figure 4 : Women's earnings compared with men's, April of each year %



Average gross hourly earnings, excluding overtime, of full-time employees aged 18 and over, whose pay was not affected by absence.
Source: Department of Employment Gazette, November 1990, page 575; and Nov 1991, page 605

In those circumstances it would be foolhardy to expect the introduction of a BI to produce miracles. For part-timers the introduction of a Phase 1 BI is unlikely to have a marked effect on wages either way. So long as the BIs were paid direct to the mothers — not through their employers — the arguments for and against a national minimum wage would remain largely unchanged.

In the longer term, however, BI would help women. Once NI contributions were abolished, employers would no longer benefit by taking on part-time workers for less than the NI lower earnings limit. All pay would count as part of taxable income and employees would not get their earned-income tax credits (Table 4) until the Inland Revenue had received their PAYE. Whereas the current tax and benefit rules encourage women to take lower-paid, part-time work [Esam and Berthoud 1991], and employers to offer it, the

introduction of a BI would tend to narrow pay differentials between women and men.

With BI the tax and benefit treatment of women and men would be more equal — although mothers would still face the problem of childcare costs. No woman on low earnings should lose out as a result of BI, and most would gain, but for those currently earning less than their personal income tax allowance the income tax rate would shoot up to 25% — hence part of the rationale for an earned-income tax credit. Some critics of BI say it would result in large numbers of married women dropping out of the workforce. But the likely situation is more complicated. Although some would drop out, others would enter the workforce — encouraged by improvements to the poverty and unemployment traps. Also, if sufficient numbers of women dropped out, their wages would tend to rise — in which case BI might become a more effective instrument than equal pay legislation in narrowing wage differentials between the sexes. On the other hand, if that were to happen, it would have disadvantages as well as advantages. Some employers would put up their rates of pay, but others would go out of business. So the long-term effect could be to price unskilled female labour out of paid work, in much the same way as unskilled male labour has already been priced out of work. For this reason the introduction of a BI requires active policies to promote education and training.

(6) Action on childcare

On its own a BI (even a full BI) can never be sufficient to prevent poverty, or remove the poverty and unemployment traps, if the wage-earner has childcare costs to pay. Other instruments are necessary, for instance childcare provision, childcare tax reliefs and/or childcare vouchers. This was one of the conclusions of BIRG's labour-market study group, and the same opinions were expressed by all members of the BI and women group. Under present arrangements, the combination of loss of income support, increased tax liability and childcare costs — especially the latter — make part-time work an unrealistic option for most lone mothers. With BI the situation would improve, especially if guaranteed maintenance allowances were also paid, but the problem would not go away. With or without BI, an about-turn by the Treasury on childcare is essential if lone-parent families are not to remain disproportionately at risk of poverty and disincentives.

Protecting lone parents. Additionally, because many lone parents are unable to earn enough to take full advantage of childcare tax reliefs, it is important to retain (or extend) existing income disregards within the benefit system, to help lone parents cover their childcare costs. The existing disregards are:

- £15 of maintenance, for family credit, housing benefit and community charge benefit purposes
- £25 of earned income for housing benefit and community charge benefit
- £15 of earned income for income support

The National Council for One-Parent Families is at present campaigning for a minimum disregard of £40, portable between family credit, housing benefit and community charge benefit. And they would like the disregard to apply to maintenance and/or earned income, in order to avoid further disadvantage to mothers who cannot get maintenance. If this disregard were extended to two-parent families where both parents are working, it would assist them with their childcare costs, and preserve symmetry between one- and two-parent families.

Under the GMA option discussed in Chapter 4, a lone parent with two young children working less than 16 hours a week would receive only £17 income support (Table 8). Continuation of the existing £15 earnings disregard would mean that all but £2 of her income support would not be taken into account, which would obviously benefit lone parents. Without a disregard some lone parents would be better off and some worse off.

At present there is no incentive for lone parents to earn more than £15 when they are receiving IS, and no incentive to work at all if they incur childcare costs. The GMA option without an earnings disregard would benefit lone parents who wanted to earn more than £15 in less than 16 hours a week. At £3 an hour, they would begin to gain if they worked more than eight hours a week, provided they did not incur childcare costs. On the other hand, at this rate of pay, lone parents who worked less than eight hours a week would lose income. So it looks as though the £15 disregard should be retained. With the increased one-parent benefit option, it seems essential to retain the disregard, because lone mothers would still need £32 income support (Table 8). Without the disregard there would be no incentive to work for those who cannot do more than 16 hours, either because of childcare commitments, or because they have mortgages and cannot afford to lose income support.

(7) Choice

A partial BI of £33 per adult and £16.50 per child aged 0-10 would almost certainly encourage some mothers to delay going back to work after the birth of a child. That would be their choice, and many people would welcome it. Even a small transitional BI of £13 per adult and £10 per child would have a similar, though smaller, effect. Given the rapidity of technological advance and the speed with which the labour market is adapting to it, increasing numbers of women (and men) will find they can do paid work from home anyway. But the purpose of Basic Income is neither to increase nor decrease the participation rates of mothers in the labour force. As we said at the beginning of this chapter, it is about choice, and without action on childcare there can be no real choice.

6 WOMEN IN OLD AGE

The existing pension system — with the important exception of retirement age — was devised by men, *for* men, with men in mind; so it should come as no surprise that women are less likely than men to benefit from it. By contrast, if existing state pensions were replaced by a citizen's pension based on length of residence in the UK, women and men would be treated more equally.

Existing, non means-tested pension provisions comprise the state basic old age pension (£54.15 a week Category A, £32.55 Category B); the state earnings-related pension (SERPS); occupational pensions; and personal pensions. All these provisions are tied to former work status, and all but the first are related to former earnings as well. The nub of the problem, insofar as women are concerned, is the emphasis on paid work. As has been shown, most women earn less than men and most women interrupt their careers, or reduce their labour market participation, in order to bear and raise children. Worst affected are divorced and separated women, and those whose husbands are younger than they are. The only women who do well out of the existing system are those who conduct their lives according to the 'rules' of men — meaning those who are able to work full-time most of their adult lives.

Arguably it is not in the interest of women, their families, or society in general that the present system should continue. For a pension system that puts excessive emphasis on paid work downgrades the value of unpaid work in families and communities, and weakens the ties that hold society together. From which it by no means follows that women should quit the job market and return to their former role as mothers and housewives. But it does suggest that the tax and benefit systems should be reformed in such a way as to give women — and men — more real choice about whether or not, and for how many hours, they should go out to work.

Since the 1980s there has been increased emphasis on private provision, but a recent Parliamentary Question (Table 14) shows men doing far better than women out of occupational pensions. In 1987, few married women pensioners had any such pension, and the median amount received was about half that of the husbands.

Table 14: Receipt of occupational pensions, 1987/88

Group	*% with an occupational pension* %	*Mean amount of pension for those in receipt* £ *week*	*Median amount of pension for those in receipt* £ *week*
Single men aged 65+	63	44.80	26.40
Single women aged 60+	46	38.00	21.00
Pensioner husbands	67	65.00	31.60
Pensioner wives	15	28.20	16.20

Source: Hansard Written Answer 16 December 1992, c 326. Estimates based on data from *Occupational Pension Schemes 1987*, Government Actuary (HMSO), and the 1988 Family Expenditure Survey.

A recent study of *Women and Personal Pensions* concluded:

> For the majority of women, with their long periods of low earnings and interrupted career patterns, any pension strategy that depends on a link with earnings during their paid working lives will produce a low income in retirement. A strategy which depends on making contributions from earnings during those working lives and then relying on investment returns to deliver the benefits, as with Personal Pensions, adds an additional layer of uncertainty to an already uncertain future.
>
> For most women, the best way of reducing poverty in old age is through a rise in the level of State basic pension, which is not linked to an earnings record and has built-in safeguards for periods spent in caring for dependants [Davies and Ward, 1992, pp 3-4].

Whilst agreeing that the best way to reduce poverty among women in old age is a higher flat-rate pension rather than earnings-related pensions, the argument can be developed by posing three questions:

- **First:** Why not turn existing flat-rate NI pensions into citizens' pensions, by changing the basis of entitlement from contribution record to length of residence in the UK, and paying the same amounts to women and men?

- **Second:** Why not increase the finances available for citizen's pensions, by removing income tax reliefs for occupational and personal pensions, and the rebates/incentives on national insurance contributions for people taking out personal pensions? [National Audit Office 1990]

- **Third:** Why not further increase the finances available, by closing off SERPS, or making the contributions to it voluntary?

In the rest of this chapter, the question of women's incomes in old age is approached in four stages:

- Demographics
- Pension prospects for women: existing system
- Pension prospects for women: citizen's pension
- Equality in state pension age

(1) Demographics: the pensioner bulge

Much of the debate about pensions, in the UK and elsewhere, focuses on longer life expectancy and the increasing number of pensioners. As life expectancy goes up, more people reach retirement age and more survive into their eighties and nineties. Unfortunately, instead of greeting this change as a major achievement, it tends to be referred to as the pensioner bulge or the pensioner burden.

Table 15 shows how the numbers and marital status of UK pensioners is expected to change over the coming decades. The figures for women aged 65+ are for reference only, and are not included in the totals.

In pursuit of equal treatment, Britain is committed to equalisation of state pension ages, which are currently 60 for women and 65 for men. And this change provides government with a splendid opportunity to curtail public expenditure by increasing state pension age for women. For by the year 2025, if women's pension age were to remain at 60, the pensioner population would increase by over 30%. Even if women's pension age were raised to 65, the pensioner population would still increase by 11%. Within these totals the number of widowers goes up, but the number of widows remains stable. The number of divorced women aged 60+ is expected to increase more than five fold, and the number of divorced men aged 65+ is expected to increase six fold. Given that divorced and separated women are disproportionately at risk of poverty in old age [Davies and Joshi 1991] these figures strengthen the case for a residence-based Citizen's Pension.

Table 15: Numbers of elderly people, by marital status and sex Thousands, 1985, and projections for 2006 and 2025 (England and Wales)

	Single	*Married*	*Widowed*	*Divorced*	*TOTAL*
1985					
Females 60+	588	2714	2598	186	6086
Females 65+	483	1715	2305	118	4621
Males 65+	219	2190	536	69	3014
Persons 60/65+	807	4904	3134	255	9100
2006					
Females 60+	339	2818	2480	557	6197
Females 65+	276	1854	2263	366	4761
Males 65+	266	2346	642	235	3490
Persons 60/65+	605	5164	3122	792	9687
2025					
Females 60+	588	3387	2558	1017	7550
Females 65+	346	2253	2322	758	5679
Males 65+	457	2802	735	415	4408
Persons 60/65+	1045	6189	3293	1432	11958

Source: Government Actuary's Department, Population Projections mid 1985-based. Quoted from Davies and Joshi 1991.

In their discussion paper *Options for Equality in State Pension Age*, the Department of Social Security (DSS) published figures showing the projected numbers of men and women of working age per pensioner, assuming different pension ages, at selected years during the first half of the next century [DSS 1991]. And they took the ratio of these two numbers – i.e. the number of people of working age per pensioner, or *support ratio* – as an indicator of the capacity of the economy to provide for adults who are no longer in paid work. Table 16 uses the DSS figures to compare support ratios, assuming different pension ages. Thus a common pension age of 60 would reduce the support ratio from 3.4 in 1990, to 2.6 by the year 2010, and 2.0 by the year 2030. But a common pension age of 65 would increase the support ratio to 4.0 in 2010, after which it would fall slightly below its 1990 level.

Table 16: Support ratios for existing state pension ages, and for pension ages of 60 and 65

Pension age	*Years* 1990	2010	2030	2050
Women 60/men 65	3.4	3.1	2.4	2.6
Women and men 60		2.6	2.0	2.2
Women and men 65		4.0	3.0	3.1

Source: DSS 1991, Tables 2 and 3

These DSS support ratios are nevertheless misleading, for they assume that all the women in the 60-65 age group would acquire full-time jobs if their pension age were raised to 65, which is improbable. According to calculations by Age Concern's Institute of Gerontology, using data from the General Household Survey (Table 20), only 19% of women in the 60-65 age group were in paid work in 1988, and only 6% were working full-time [Parker, 1992].

Given current labour-market trends, it is improbable that an extra 1.5 million women aged 60-65 could find full-time jobs by the year 2010, in which case the support ratio would improve far less than the DSS statisticians have indicated. On the contrary, the main effect of increasing women's state pension age, within the existing contributory benefit system, would be to reduce the number of women entitled to the old age pension, and increase the numbers of women dependent either on their husbands or on means-tested income support.

(2) Pension prospects for women: existing system

Existing provisions for income maintenance in old age have three main characteristics:

- Complexity
- Uncertainty
- Inadequacy

Complexity is the inevitable result of a system that is fragmented between contributory and non-contributory (usually means-tested) provisions; between flat-rate and earnings-related pensions; and between the state and the private sector. Given the length of time necessary to build up a pension and/or savings sufficient to prevent poverty in old age, it is not surprising that rather few young people have an inkling of how best to set about it, and most simply hope for the best. Take students as an example. How many of them realise that prolonged study will reduce their state pension in old age?

In a recent Age Concern/BIRG internal study most participants looked to the state basic pension to keep them out of poverty. They incorrectly regarded it as a right of citizenship, and considerable concern was expressed over the experiences of friends or relations whose applications had been disallowed, or only partially allowed. None of the participants understood the regulations, and there was a feeling of unease that when their turn came the system would let them down. Women were less satisfied than men with the existing system, and showed the most interest in a residence-based citizen's pension.

Married women who reach retirement age having earned the national insurance minimum pension (£13 a week in 1991) are furious when they find that the DSS deducts it from their Category B entitlement. Most think they should receive both. Many women contribute for years without being any better off as a result of their contributions. Women also lose out on personal and earnings-related pensions, because the amounts they receive are based on actuarial calculations (taking into account women's longer life expectancy), and because most women earn less than men. Gender-based actuarial factors are banned from the protected rights that go with the minimum contributions necessary to contract out of SERPS, but the amount of pension that is protected is quite small.

As Table 1 has shown, 1.3 million women pensioners (22%) depended on income support in May 1991, compared with 0.3 million men (9%). In 1992 the amount of SERPS payable to newly retired men and women who had earned male and female average earnings throughout their working lives was £48.75 a week for men compared with only £30.15 for women [Hansard Written Answer 20 May 1992, c 164].

Under the state system, pension prospects for women who put their unpaid family responsibilities before their jobs could hardly be worse:

- In March 1991, nearly 43 years after the introduction of the national insurance scheme, about one-third of women reaching retirement age had no entitlement to any state retirement pension. Of those who were entitled less than 37% (about 15% of the age group) qualified for a full Category A pension [Hansard Written Answer, 11 March 92 cc 529-30].

- Due to increased divorce and separation this situation will get worse.

- In 1990 there were an estimated 6.8 million informal carers, of whom nearly 1.5 million spent more than 20 hours a week in caring work [OPCS 1992]. Yet in 1990 fewer than 134,000 carers were getting Invalid Care Allowance, and the Home Responsibilities Protection (for the state old age pension) that goes with it [DSS 1992, page 202].

- At £54.15, the state basic pension is notoriously inadequate. According to recent estimates by the Family Budget Unit, a single woman aged 72 years, paying £40 a week for sheltered accommodation, needed a gross income of £141.50 a week in April 1992 to reach the modest-but-adequate standard (four days a year holiday in Blackpool in October, and no car!) that most people would take for granted [Bradshaw *et al* 1992].

- If the basic state pension remains indexed to prices, it will wither away. Had pensions been increased in line with prices only since introduction of national insurance in 1948, the Category A pension would now be only £22.79 a week, and the Category B pension would be only £14.02 (instead of £54.15 and £32.55 respectively) [DSS October 92, pp 40-43].

- In the name of equal treatment, women's state pension age is likely to be raised, in which case the contribution requirement is likely to go up from 39 to 44 years.

- Government justifies the low level of the state basic pension on grounds of cost. Yet an estimated £10,515 million of national insurance contributions have been foregone since 1988-89 in order to promote personal pensions which only a minority of women are likely to buy (Hansard Written Answers 23 Jun 92, cc 138-9 and 26 November 92, c 690).

Table 17, taken from the study by Bryn Davies and Sue Ward already referred to, shows how the state basic pension (indexed to prices) is likely to fall as a proportion of previous earnings. A woman born in 1972, who earns median earnings immediately before her retirement, can expect a basic pension equal to only 15% of those earnings if the basic pension continues to be increased in line with prices — compared with 27% if it were increased in line with earnings.

Table 17: Basic state pension as a percentage of women's final earnings, according to date at which women of different ages are likely to retire

Earnings Scale:	*Lowest Decile*				*Median*				*Highest Decile*			
Age at April 1988:	45	35	25	16	45	35	25	16	45	35	25	16
NI Revaluation basis:												
Prices:	33	29	25	22	23	20	17	15	15	13	12	10
Earnings:	40	40	40	40	27	27	27	27	18	18	18	18

Source: Davies and Ward, 1992, Table 7.4

Today, there are six main reasons why women fail the contribution requirements for the state old age pension:

- **First,** only 66% of married and 70% of non-married women aged 16-59 are in paid work (Table 9).

- **Second,** nearly 52% of the married women, and nearly 20% of the unmarried women who are in paid work, work part time; at least 2.25 million women do not earn enough to pay national insurance contributions, so do not build up pension entitlements.

- **Third,** until 1978, no married woman had to pay national insurance contribution, even if she was in full-time paid work. Instead women could choose to depend on Category B pensions payable through the contributions of their husbands. Since 1978 working wives have to pay national insurance contribution like everybody else, but in 1988-89 about one-third of women retiring had pensions wholly or partly from the contributions of their husbands [EOC 1992].

- **Fourth,** about three-quarters of a million wives with no pensions in their own right are married to husbands who are younger than they are. These women cannot even draw a Category B pension until their husbands are 65, although some have no income of their own.

- **Fifth,** in 1985 an estimated 3% of women aged over 60 were divorcees, a figure that is expected to increase to 13% by the year 2023 [Joshi and Davies, 1991]. Although divorced women can qualify for a Category A pension based on their former husbands' contributions during the period of the marriage, this seldom amounts to a full pension. Separated women who do not agree to a divorce have to make do with a part-Category B pension.

- **Sixth,** divorced women who remarry before pension age forfeit the right to claim a pension on their first husband's contributions, though they can claim on their second husband's contribution record.

(3) Pension prospects for women: Basic Income

As one member of BIRG's study group remarked: *The whole of the existing pension system is based on the male breadwinner syndrome.* With BI this would change. Every legally resident adult would be entitled to the same partial BI; every legally resident child would get a smaller BI; every older person would also receive a citizen's pension; every man, woman or child suffering from a disability would be eligible for a BI supplement and a disability costs allowance (based on a recognised scale); and everyone caring for a very old or disabled person would get a carer's supplement in addition to the partial BI. When assessing entitlement to any of the above benefits, marital status, household status and work status (past or present) would become irrelevant. Instead the key tests would be legal residence and age.

A residence test scheme. With a citizen's pension, contribution tests and means tests would be replaced by a residence test. The detail of the regulations would be up to Parliament to decide, and would include reciprocal arrangements with other countries, especially other member states of the European Community. Overseas experience is relevant here. Residence-based pensions operate in Canada and Scandinavia. In Canada and Denmark, the period of residence necessary to get a full pension is 40 years, with proportionate reductions for those who have lived there less long. For example, a person who has lived in Denmark for only 20 years qualifies for half the standard amount. The age of entitlement for the Danish and Norwegian pensions is 67. In Canada, Finland, Norway and Sweden it is 65.

Pensioners living abroad. Some people ask whether a citizen's pension would be payable to pensioners living abroad, which raises difficult issues. Given that the new system would be introduced gradually, the acquired rights of pensioners would have to be protected. In the longer term it might be difficult to justify payment of a full residence-based pension to permanent non-residents — especially that part of it (the transitional BI) which is intended as a replacement for income tax allowances — but this is an issue the group did not have time to investigate. Once again, the experience of other countries and the introduction of reciprocal arrangements should help to solve the problem. Canada's Old Age Security is payable abroad if the recipient has lived in Canada for 20 years after age 18. Finland's universal pension is not payable abroad after more than one year, except for good reason. Danish, Norwegian and Swedish universal pensions are payable abroad, subject to certain conditions.

Paying for it. In 1991-92 total public expenditure on pensions (cash benefits plus tax reliefs) amounted to £44,740 million, or nearly £82 per pensioner per week (Table 18). About 30% of this expenditure was siphoned off into tax reliefs, for the benefit of future generations of better-off pensioners (defined as those who can afford to save). These figures exclude the tax expenditure costs of the personal income tax allowances, since these would be required to finance the transitional BIs of £13 per adult and £10 per child already described. Once these are added in, we are talking in terms of an eventual citizen's pension of the order of £13 + £82 = £95 a week. Unfortunately, that is without taking into account demographic change. If a pension of £95 a week were paid to everybody from age 60, the costs would be very high. So there is a case for paying an intermediate (unisex) pension from age 60, and the full amount from age 65 [Parker 1992].

Table 18: Public expenditure on pensions, 1991-92

	£ million
(1) DSS and other cash expenditures	31,450
(2) Pension income tax reliefs	10,710
(3) NI rebates, incentives, and tax refunds	2,580
TOTAL	44,740

Sources: (1) DSS Feb 92, Table 5; (2) Treasury Jan 92, App D; (3) Hansard 23 June 92, cc 138-9.

Benefit upratings. In order to maintain the relative living standards of future pensioners, it is essential that the citizen's pension be

uprated in line with earnings, not prices. Most of the finance necessary to uprate it would come from the new income tax, but some could also come from a new tax on value added, instead of employers' national insurance contributions.

Additional earnings-related pensions. There is no theoretical reason why a citizen's pension should not be combined with additional layers of earnings-related insurance (state-operated, and/or occupational, and/or personal), but they would probably have to be voluntary, otherwise tax rates would be too high. A second layer of voluntary, state-operated social insurance was included in the recommendations for a partial Basic Income put forward by the Netherlands Scientific Council (a government think tank) in 1985 [Netherlands Scientific Council 1985]. The contributions for this second layer would not qualify for income tax relief.

(4) Equal state pension age

Whilst welcoming the government's commitment to equalisation of state pension ages, and accepting that a choice has to be made between larger pensions later in life or smaller pensions starting at 60, the fact is that it makes little sense to raise women's state pension age (or keep men's pension age at 65) if there are not enough jobs for people in the 60-65 year age group to do. Yet that, as Table 19 shows, is precisely the direction in which the labour market is moving.

Between 1979 and 1988, as a result of labour-market change, the percentages of men in full-time employment fell in all three age groups, even though some of the difference was made good by self-employment. Less predictably, the percentages of women in employment also fell. By 1988 only 5% of women in the crucial 60-64 age group were in full-time employment, compared with 8% in 1979; and only 12% were in part-time employment compared with 14% in 1979. By 1988 an estimated 51% of women in the 60-64 year age group described themselves as retired, compared with 29% in 1979. Far fewer declared themselves otherwise occupied (usually in housework); most described themselves as retired.

Given the state of the labour market, even before the current recession, the danger is that equality in state pension age can be made to sound like equal treatment without producing it. In the Department of Social Security's discussion paper *Options for Equality in State Pension Age* [DSS 1991], the DSS addresses the problem of state pension age using a Treasury 'bottom line' approach, and on the implicit assumption that equal treatment can be brought about without reference to other factors affecting pre-retirement and post-retirement incomes, like unemployment, insecurity of employment and the breakdown of the traditional family [Parker 1992, para 1.1].

Table 19: Employment status of Third Agers prior to retirement, General Household Surveys, 1979 and 1988

AGE GROUPS (YEARS)	*50-54*		*55-59*		*60-64*	
GHS YEARS	1979	1988	1979	1988	1979	1988
MEN						
Full-time employee	81	64	76	58	63	36
Part-time employee	1	1	1	2	1	3
Full-time self-employed	10	16	7	13	5	9
Part-time self-employed	0	1	0	1	1	2
Waiting to start a job	1	0	0	0	0	0
Unemployed	3	9	4	9	4	4
In education	0	0	0	0	0	0
Permanently unable to work	3	6	9	8	13	19
Retired	0	1	1	6	11	25
Other	1	1	2	3	2	3
	100	100	100	100	100	100
Sample size	*708*	*531*	*905*	*641*	*674*	*674*
WOMEN						
Full-time employee	32	32	28	19	8	5
Part-time employee	27	25	25	27	14	12
Full-time self employed	2	1	2	2	1	1
Part-time self employed	1	1	1	2	1	1
Waiting to start a job	0	0	0	0	0	0
Unemployed	2	4	1	2	0	0
In education	0	0	0	0	0	0
Permanently unable to work	3	4	5	6	4	0
Retired	0	2	3	12	29	51
Other	32	30	35	30	43	29
	100	100	100	100	100	100
Sample size	*759*	*552*	*955*	*660*	*813*	*682*

Notes: (1) In 1988 'permanently unable to work' was not used for people over state pension age.
(2) 'Other' includes housewives. In 1988 it also includes people on government schemes.
Source: General Household Survey (GHS), analysed by the Gerontology Data Service, Age Concern Institute of Gerontology.
Acknowledgements: Material from GHS made available through the Office of Population Censuses and Surveys and ESRC Data Archive, and used by permission of the controller HMSO. GHS analysis carried out by the Gerontology Data Service, Age Concern Institute of Gerontology, King's College, London.

Comparatively few men aged 60-64 in Table 19 were unemployed and registered for work. Have they given up hope, or is it because men over age 60 have their national insurance record protected whether or not they register for work? Certainly the system discourages registration (and thereby reduces the official unemployment figures). For personal reasons, not least self-esteem, men aged 60-64 may prefer to regard themselves as early retired rather than unemployed. Unfortunately the problem affects people in their fifties as well. Too young to count as early retired, too fit to qualify for invalidity benefit, disqualified from unemployment benefit if they have occupational or personal pensions above £35 a week, and from income support if they do regular voluntary work, if their capital exceeds £8,000, or their weekly income (including that of their spouse or partner) exceeds the income support allowances — increasing numbers of Third Age men and women in their fifties *as well as* their early sixties are excluded from mainstream society — through no fault of their own, and with no hope that government will solve their problems.

The DSS discussion paper put two main questions:

- **First.** *Is a common pension age approach to be preferred, and, if so, which age should be adopted and over what period should the change be implemented?*

- **Second.** *If a flexible pension age is preferred, which model should be adopted as the basis for preparing a detailed scheme?* [DSS 1991, para 1.8]

To which BIRG, in their reply to the Discussion Paper, gave the following answers:

- Yes to a common pension age
- Yes to age 65 for a *full* pension
- Within a decade
- *Subject to the following provisos:*

First proviso
Change the basis of entitlement for the basic state pension from contribution record to citizenship and length of residence in the UK; and make the assessment unit for it the individual in all cases.

Second proviso
Gradually replace most existing benefits and income tax allowances/reliefs by an integrated system of CIs for all age groups: with the pension element financed at least partly by taxes on value added instead of earnings; with a CI supplement/intermediate pension payable from age 60; and with special provision for carers and people with disabilities.

In other words, turn the existing basic state pension into a citizen's pension.

The first proviso would transform the income security of women in old age. Every citizen meeting the residence test would receive a small, intermediate pension from age 60 and a full pension from age 65, with proportionate reductions for those who had lived in the UK for shorter periods. The second proviso would help all age groups adjust to labour market change. Instead of being left in the dole queues, they would be able to study, train, re-train, or build on their BIs by taking whatever jobs were available — without signing on and off, and without being accused of fraud. Abolition of national insurance contributions would improve their job prospects by reducing unit labour costs. Every legal resident would be entitled to a partial BI, and those elderly residents who failed the residence test would be able to claim income support, as at present. But the numbers requiring income support would fall dramatically.

BIRG's answer to the DSS's second question is similar. The limitations of the flexible models put forward in their discussion paper are self-evident: they would be inequitable between men and women, and expensive to administer. With a Variable Rate Scheme, early retirers would get substandard state pensions, dependence on income support would go up, and the main beneficiaries would be people with private pensions (mainly men). With a Split Retirement Scheme, increased dependence on income support would be avoided, but the main beneficiaries would again be men. A Contribution Test Scheme — allowing people to retire after a given number of years of contributions — comes closest to the Residence Test Scheme proposed by BIRG, but again it would help men more than women.

Partial BI plus a citizen's pension is the only reform proposal at present on the agenda which is symmetrical between men and women in old age, *and* would ease the problem of Third-Age unemployment.

7 CONCLUSION

(1) Equal treatment — equal outcomes

The indequacies and injustices of the existing tax and benefit systems apply to men as well as women, but women are worse affected than men. One purpose of this paper has been to draw attention to the different requirements of men (representing paid work) and women (representing paid and unpaid work) in matters of social security. Despite widespread acceptance that the existing tax and benefit systems need radical reform, this gender gap is seldom given the attention it deserves. At present there are two main reform options:

- **A residual welfare state,** with means-tested benefits for the poor, and private provision (helped along by income tax reliefs) for the rest.

- **A modified Citizen's Income,** with age-related, universal benefits (or tax credits) for everyone, financed by (and recouped from) those who do not need them by an integrated income tax; **plus** a second, much smaller, layer of income-tested provision for families still in need.

These two approaches could not be more different. A residual welfare state would increase the number of citizens (especially women) with the high marginal tax rates associated with means-tested or 'targeted' benefits, while for everyone else the rate of income tax could go down (although any decrease would be at least partly offset by an increase in the 'voluntary' savings necessary to avoid poverty in old age). By contrast, a Basic Income (the variety of Citizen's Income discussed by BIRG's 'Women' group) would reduce the number of citizens needing means-tested benefits, but would require a standard rate of income tax in the region of 35%, compared with 25% income tax and 9% national insurance contribution for most taxpayers at present.

Women (on average) would gain most from a Basic Income, while men (on average) would gain most from a residual welfare state. As so often happens, *equal treatment does not necessarily produce equal outcomes.* Women do badly out of the existing social security system, and would do worse out of a residual welfare state — because in each case benefit entitlement depends on former labour market participation and earnings. Women would do better out of a Basic Income, because with BI work status becomes irrelevant. The difficulties faced by women have been aptly described by Bryn Davies and Sue

Ward in their research report for the Equal Opportunities Commission:

> ...The fact is that women have a dual role in our society. They are seen — and see themselves — as responsible for maintaining a home, bringing up children, caring for elderly relatives. But there is also an increasing expectation that they will go into paid employment. When these roles are in conflict... it is the family role that has to take priority. It is easier to juggle with the hours for which you are employed, than with the time during which you are caring for a small child or an elderly dependent. So women's employment choices are very much dictated by their family circumstances. Their pension choices will be heavily determined by their employment position, and so are a long way down the chain of cause and effect [Davies and Ward 1992, page 5].

(2) Treasury accounting procedures

The rationale behind the BI proposal is not to increase public expenditure, but to redistribute existing expenditures. With the existing system, social security benefits (*cash expenditures*), are counted by the Treasury as part of public expenditure, but tax allowances and reliefs (*tax expenditures*) are not, yet the effects of each on the public sector borrowing requirement (PSBR) are much the same. By 1991-92 nearly 45% of expenditure on income maintenance went on tax allowances and reliefs (Table 2), and nearly 30% of spending on old age went on tax reliefs for people of working age who could afford to save (Table 18). In other words, the tax system is being used to redistribute income upwards.

If a Basic Income were introduced, changes would be necessary in the way the Treasury presents the national accounts. For instance, only that part of the BI expenditure credited to people who received more in BI than they paid in income tax should be shown as a cash expenditure; all the rest should count as a tax expenditure. Otherwise the switch to BI could be made to appear like a massive increase in benefit expenditure, financed by swingeing tax increases.

(3) Advantages of a Citizen's Income

Of course there are critics who say that the whole idea is a meaningless shuffle, but this is not so when the redistributive effects are taken into account. In 1991, even a small, transitional BI of £13 for adults and £10 for children would have resulted in extra expenditure on families with children of about £700 million. Also, much more

would be involved than increased child benefit. For the BIs would go to mothers, carers, people with disabilities, 16-18-year-olds, students and trainees, and women pensioners who at present get nothing.

The main advantages of BI, insofar as women are concerned, are thought to be the following:

- Improved income security
- More equal treatment compared with men
- Tangible recognition of the value of unpaid work
- Increased financial independence within families
- Improved work incentives
- Income maintenance during study and training/re-training
- Guaranteed pensions in old age
- Simplicity

BI would redistribute income from rich to poor and from husbands (who would lose their married couple's tax allowance) to wives. In 1991, even small transitional BIs of £13 a week for adults and £10 for children (with no change to the rate of income tax) would have resulted in average gains of £4 a week in the bottom decile and average losses of £6 in the top decile (Figure 2). Gainers would include non-earning mothers, most families with children, carers, people with disabilities, 16-18-year-olds, students, trainees, and women pensioners who at present get nothing.

BI would strengthen family life, by increasing the income security of women during periods of childbearing, childrearing, caring for dependents and old age. At present a woman who leaves paid work to start a family forfeits her income tax allowance. With BI it would convert automatically into cash. Mothers would get BIs for each of their children, and during pregnancy they would get a BI supplement. Home Responsibilities Protection for carers would cease to be necessary, because the basis of entitlement to the new Citizen's Pension would be length of residence in the UK, not contribution record, and the unit of assessment for it would be the individual citizen, whether the applicant was married or single. Divorcees, separated women and women older than their husbands would receive pensions in their own right.

By removing tax reliefs for occupational and personal pensions, and by closing off Serps (or making it voluntary), a citizen's pension from age 65, equal to one-third average earnings (£100 a week in 1992), becomes a practical possibility. This is the longstanding TUC target for pensions, yet it is well below the modest-but-adequate level of about £140 a week estimated by the Family Budget Unit in 1992 [Bradshaw *et al* 1992, p 40]. The difference is that the citizen's pension would be paid at the same rate to every pensioner, whereas the TUC have so far always accepted a reduced rate for spouses.

Although, for the foreseeable future, women would probably continue to be the main carers (due partly to their natural inclination, and partly to their lower earnings potential), it would become easier for couples to share the role of carer. Instead of losing out in their old age by doing unpaid work at home, women (and men) would be sure of a decent income in old age.

(4) Implications for the labour market

Advocates of BI do not decry the work ethic, but they do want to bring it up to date with social and economic change, the needs of families and local communities, and the needs of the environment. They know that a BI which discouraged paid work would be unsustainable. Although the marginal tax rates of lower-paid, part-time women workers would go up, their net incomes would also go up. And they would also benefit from guaranteed incomes during training and re-training. In 1987-89 (before the current recession) only 28% of wives with unemployed husbands were in paid work, compared with more than 70% of wives with employed husbands (Table 13). With BI, spouses would be able to take their work decisions without affecting each other's BIs.

BI would help employees (men and women) to adjust to the flexible working arrangements required by British industry if it is to compete successfully in world markets. Instead of losing benefit on starting a job (and simultaneously being charged tax and national insurance contribution), women (and men) would be able to use their BIs as a platform on which to build during training, re-training, study, part-time work or irregular work — without reference to the Department of Social Security, without fear of prosecution, and regardless of the employment circumstances or earnings of a spouse or partner.

Claiming and earning would be decriminalised, and the cohabitation rule would be abolished. By cutting through some of the most unpopular and hard to administer legislation in the land, claimants would be set free to manage their own lives without fear of prosecution, or being branded as scroungers. Depending on the BI amounts,

some mothers might delay their return to the labour market after the birth of a child, and more mothers might work part-time. On the other hand women without young children would be less likely than at present to be caught in the poverty and unemployment traps — so the overall effects on labour market participation could even out.

(5) Simplicity

For most people, the existing tax and benefit systems are incomprehensible. The cost of administering the benefit system is fast approaching £4,000 million. And the 'take' by the financial institutions, in connection with personal retirement savings policies, can be anything between 6% and 40% of the purchase price. Choices have become pitfalls, and there is an inherent mismatch between existing pensions systems and most women's careers [Davies and Ward 1992, p 90].

(6) A reform in several stages

Looking ahead it is possible to imagine a reform process, staged over a decade (Table 20). Stage 1 would involve replacement of the personal income tax allowances by small, transitional BIs. Stage 2 would require legislation to phase out national insurance (contributions as well as benefits), and income support. Stage 3 would complete the reform process.

Stage 1. Transitional BIs of £13 for adults and £10 for children would have been revenue neutral in 1991-92, with no change to the rates of income tax. But the guaranteed maintenance allowances (GMAs) for lone parents and the partial BIs from age 60 have not been costed. The latter are included here to show how pension age might be equalised at 65 without women in the 60-64 year age group losing out. The suggested BI entitlement of £14 + £16 for men and women aged 60-64 is only £2.55 below the 1992 Category B pension of £32.55, so it is close to what most women in that age group are getting now. All the BIs would be deducted from existing benefit entitlements, and most of the cost of the GMAs would be recoverable from the absent parents. Possible ways to finance the higher BIs from age 60 include restriction of all pension income tax reliefs to 20%; and a quick end to the national insurance contribution rebates and incentives for people who choose personal pensions in preference to Serps. In 1992-93 the cost of those reliefs is £2,825 million [Hansard 26 November 92, c 690].

Table 20: Modified Basic Income: a strategy for change
£ week, 1992 prices and incomes

Stage 1: Transitional BIs

- Transitional BIs, c £14 for adults and £10 for children, paid for by abolishing the personal income tax allowances, and deducting the BIs from existing benefit entitlements. First £20 a week of earned income tax-free.
- BI supplements of £10 for each child of widows/widowers and invalidity pensioners (replacing existing NI child additions).
- Guaranteed maintenance allowances of £10 for lone parents, reclaimable from the absent parent.
- Residence-tested pensions/BI supplements of:
  - Age 60-64: £16 (total entitlement £30)
  - Age 65 + : £40 (total entitlement £54)
- Occupational and personal pension tax reliefs restricted to 25%.
- Adjustments to age allowance to protect low-income pensioners

Stage 2: Legislation to replace NI benefits and income support

- Legislation to replace NI system and income support by age-related BIs, and BI supplements, over an agreed period
- Consolidation of employers' and self-employed NI contributions with income tax at 34%-35%
- Employers' NI contributions replaced by increased corporation tax or VAT.
- Serps closed off, or made voluntary (and additional to BIs)
- Mortgage interest, occupational and personal pension tax reliefs restricted to 20%, and closed off
- Housing benefit increased, to include a 'householder element'

Stage 3: Completion

- Partial BIs of £33 for all adults
- Smaller BIs for children (either flat rate or age-related)
- BI supplements for carers and people with disabilities
- Residence-tested BI supplements of £27 a week from age 60
- Full citizens' pensions (one-third average earnings) from age 65.
- Abolition of virtually all income tax allowances and reliefs
- New, integrated income tax at flat-rate 35%, with/without higher rates

- Income-tested housing benefit
- Reformed Social Fund
- GMAs for lone parents
- Disability costs allowance

Stage 2 would phase out national insurance contributions and benefits, and also income support. Employees' and self-employed NI contributions would be subsumed within the new income tax. Employers' NI contributions would be replaced by a new tax on profits or value added — thereby reducing non-wage labour costs. Gradually, most existing benefits, would be replaced by the fully

automated BIs. Stage 2 would involve controversial decisions about the future of Serps (should it be retained in its present form, retained on a voluntary basis, or abolished?), and the future of income tax reliefs for mortgage interest, occupational and personal pensions. As an illustration of what might happen, here we show mortgage interest, occupational and personal pension tax reliefs restricted to 20%, and closed off.

Stage 3 would take ten (or more) years to achieve, after which national insurance and income support would have been replaced by the individually assessed, residence-based BIs and the citizens' pensions. Most of the new system could be automated. But housing benefit, the new social fund, the GMAs for lone parents and the disability costs allowance would need to be administered separately.

(7) Limitations

Despite its advantages and attractions, especially for women, this study has shown that a move to Basic Income is less easy than is sometimes supposed. How to ensure that lone parents do not lose out, whilst preserving symmetry between married and single, proved particularly difficult. Additional provision for lone parents would be necessary, and most group members were attracted by the idea of supplementing the BIs by guaranteed maintenance allowances (GMAs) — paid in advance by the Child Support Agency, and recouped from the absent parents afterwards.

A full BI (enough to live on) is out of the question — certainly for the time being. Even a modified BI scheme, like the one described in this paper, would take more than one Parliament to introduce, and would therefore require consensus between the political parties. It would also require a tough stand against vested interests, especially the pensions industry.

Finally, any BI system would need to be accompanied by other, supporting policies (on jobs, health, housing, education and training) if poverty is to be overcome. During our discussions, many group members emphasised the need for adequate childcare provision, tax reliefs and/or tax-free vouchers. Without new initiatives on childcare, women with children will never be able to compete in the labour market on equal terms with men, and lone mothers will be locked into benefit dependency for years on end. This was also one of the main conclusions of BIRG's labour-market study group. Those who argue that public expenditure on childcare is unfair to mothers who are not in the labour market should remember that most mothers go back to work eventually (Table 10), therefore most would benefit in due course. Citizen's Income is not just about income security — investing in people — it is also about choice, and without good quality childcare, at prices mothers can afford, there can be no real choice for women.

APPENDIX: MAIN SOCIAL SECURITY BENEFITS PASSPORT BENEFITS INCOME TAX ALLOWANCES INCOME TAX RATES and BANDS 1992-93

1 MAIN SOCIAL SECURITY BENEFITS

The most recent list of UK social security benefits required fourteen columns of Hansard [Hansard 12 November 1992, columns 911-92]. The following is a summary of the main benefits, together with the weekly amounts payable. Mortgage interest is payable with income support, but not with other benefits.

	£ week
Child benefit (universal)	
Only, elder or eldest child	9.65
Each subsequent child	7.80
Income support (means-tested)	
Personal allowances	
single: under 18 (usual rate)	25.55
18-24	33.60
25 or over	42.45
lone parent:	
18 or over	42.45
couple:	
one or both over 18	66.60
dependent children:	
under 11	14.55
11-15	21.40
16-17	25.55
18	33.60
Premiums	
family with children	9.30
lone parent (in addition to the family premium)	4.75
single pensioner	16.70
pensioner couple	25.35
NI invalidity allowances and benefits	
Invalidity pension	54.15
Invalidity allowance: higher rate	11.55
middle rate	7.20
lower rate	3.60
Dependency increase for spouse	32.55
Dependency increase for each child	10.85

Maternity allowance	42.25
One parent benefit	5.85
NI retirement pension	
Category A (on own insurance)	54.15
Category B (on husband's insurance)	32.55
Dependency increase for each child	10.85
Statutory sick pay	
Earnings threshold	54.00
Standard rate threshold	190.00
Lower rate	45.30
Standard rate	52.50
NI unemployment benefit	
Under pension age	43.10
Dependency increase for spouse	26.60
NI widow's benefit	
Widowed mother's allowance	54.15
Dependency increase for each child	10.85
Widow's pension (standard rate from age 54)	54.15

2 PASSPORT BENEFITS

Some benefits do not have their own means test. To be entitled to them, it is only necessary to be entitled to another benefit. For example, a family receiving income support (but not family credit) has an automatic right to free school meals and free welfare foods for their children, and to free prescriptions. In 1992-3 free school meals were worth about £3.17 a week, and free welfare foods (for children under school age) were worth £2.52 a week [DSS September 1992].

3 INCOME TAX RATES AND BANDS

20% on first £2,000 of taxable income (i.e. after deduction of allowances and reliefs)
25% on next £21,700 of taxable income
40% thereafter

4 INCOME TAX ALLOWANCES

	£ year	£ week
A. Personal allowance	3,445	66.25
Married couple's allowance Additional personal allowance* Widow's bereavement allowance	1,720	33.08
B. Age allowances**		
Age 65-74		
Personal	4,200	80.76
Married couple's	2,465	47.40
Age 75 and over		
Personal	4,370	84.04
Married couple's	2,505	48.17
Income limit***	14,200	273.08

* For lone parents
** Including allowances under A.
*** Above which the differences between age allowances and the standard rates of personal and married couple's allowance are gradually withdrawn

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