

## CHAPTER 10

# PUTTING THE SOCIAL BACK INTO SECURITY: A PLAN TO REFORM THE TAX AND BENEFITS SYSTEM

Imagine a tax and benefit system so simple that we could all depend on a small basic income depending on our age, and then, when we did paid work, we simply got taxed at a higher rate the more we earned...

### INTRODUCTION — WHAT WE HAVE NOW

In the world of the current government, social security means exactly the opposite of what it says on the tin.

- Living on benefits is to experience constant insecurity, wondering if payments will stretch to cover today's food, next week's school bus, next month's electricity bill.
- It's to experience discrimination, as society is divided into strivers and scroungers, the deserving and the undeserving poor, taxpayers and those on benefits.
- It's to be subject to delayed payments and sanctions, which push you to the food banks.
- It's to lose up to four weeks' payments simply for missing an interview.

Worst of all, the benefits system takes no account of people's real lives. You can pay more in transport costs to attend compulsory sessions at the Job Centre than you receive in benefits. All the while, more and more people fall through the cracks in a social security system that, thanks to ideology and incompetence, offers no security.

Being on benefits creates a poverty trap that discourages employment or increased hours of work. Yet work in today's UK doesn't pay either. It's why, for the first time, there are more people living below the poverty line in working families (6.7 million) than in workless and retired families combined (6.3 million). It's why one of modern UK's growth industries is payday loan sharking. And it's one of the reasons why nothing short of a Green revolution in how we think about social security will do.

The Coalition government has introduced more work-for-benefits schemes, tougher rules on claiming benefits and more sanctions. Job Centre staff are encouraged to do whatever it takes to get people off the dole and deny them the money to which they are entitled. Employment and Support Allowance is a disgrace, with harsh, inaccurate fitness-for-work assessments that are frequently overturned on appeal. Claimants suffer because of huge delays in assessment of Personal Independence Payments.

The Coalition's flagship policy, a so-called simplification of the system, Universal Credit, is a disaster waiting to happen. Implementation dates are constantly revised and the computer systems are never quite ready.

Although Universal Credit claims to improve incentives to work, if you earn an extra £100, £65 will be deducted from your benefit. This is higher than the 45% tax charged on incomes over £150,000, yet we are told that, if we increase that top rate, high earners will lack incentives to work or will leave the country. So should we be surprised if many on benefits decide not to work? In a sensible world, we'd have much lower deductions from earnings for those who earn least.