BIRG

CITIZENS INCOME

BULLETIN 16

CITIZENS INCOME RESEARCH GROUP BULLETIN NO 16 £3.00 JULY 1993

"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) to research all aspects of reform along the lines of a Basic Income. 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. The change of name was decided upon in 1992, for two reasons: firstly because Basic Income is already often referred to as Citizens Income, and secondly because social security reform is an important part of the wider debate about the nature of citizenship."

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 income
Unconditionally

INDEPENDENCE

CITIZENS INCOME TRUST (Charity No. 328198) is financed from non-governmental sources. It is not a pressure group, nor is it aligned to any political party.

CITIZENS INCOME RESEARCH GROUP (CIRG)

CIRG took over the functions of BIRG (Basic Income Research Group) when the Trust changed its name in 1992.

FURTHER INFORMATION

Details of publications and activities are available from:
Citizens Income Study Centre, St Philips Building, Sheffield Street, London WC2A 2EX
Telephone: 071-955 7453
Fax: 071-955 7534

ISSN 0954-8246 BIRG/CITIZENS INCOME BULLETIN
Designed and printed by RAP Limited, 201 Spotland Road, Rochdale OL12 7AF. Telephone 0706 44981

BIRG BULLETIN

No 16 July 1993

CONTENTS

Editorial

First, our apologies to subscribers for the long gap between Bulletins 15 and 16, and our hope that the Discussion Paper *Citizen's Income and Women* proved a satisfactory alternative. *CI and Women* examines the income security needs of women; the antiquated and inadequate deal they get from existing tax and social security arrangements; the danger that they will fall even further behind if the current trend towards a residual (or means-tested) welfare state continues; the advantages of a Citizen's Income based on legal residence instead of contribution record; and its limitations.

The timing of *CI and Women* could hardly have been better, coinciding as it did with the Government's review of state pension age for women, the announcement by Secretary of State Peter Lilley that social security is again under the microscope, and the setting up of Labour's Commission on Social Justice. The present direction of tax and benefit policies — eyes front towards private insurance for the rich, means-tested benefits for the poor, and God knows what for the nearly poor — is particularly worrying for millions of women who combine rearing a family or looking after relatives with part-time, often low-paid employment.

Unfortunately, many people do not understand what is going on, having been assured that pensions and child benefit will be uprated in line only with prices, at least until the next General Election. What they have not been told is that since earnings run ahead of prices by an average 1½% a year, price indexation allows benefits to wither on the vine. For example, if the State basic pension had been uprated in line with prices only since 1948, it would now be less than £25 a week instead of £56.

The ostensible reason for benefit cuts is the need to control public expenditure. Only today, as I write, there is talk of charging pensioners and children for their prescriptions. Yet behind the scenes Government is diverting increasing sums of potential revenue into private pensions, by offering tax rebates to those who can afford to purchase them. Since 1988 over £10 billion has been siphoned out of the National Insurance Fund in this way, and the cost of income tax reliefs for occupational and personal pensions (in terms of revenue foregone) is well over £10 billion each year. As Christopher Monckton explains elsewhere in this Bulletin, the Treasury prefers tax reliefs to cash benefits because of the "daft" way it presents the national accounts. Only cash benefits are counted as part of public expenditure; tax reliefs are counted as revenue foregone, and omitted. Yet in terms of the public sector borrowing requirement the effects of both are identical.

In social policy terms benefits and income tax reliefs could not be more different. Benefits redistribute income downwards (from rich to poor), and sideways (from non-parents to parents), while income tax reliefs redistribute upwards (to those who can afford to buy personal pensions or houses). Contrary to what is reported in the media, even universal benefits provide an excellent mechanism for redistributing income from rich to poor, depending on the rate of income tax by which they are withdrawn. For example, a universal benefit (or CI) of £35 a week combined with income tax at 35% would be withdrawn once the recipient's own income reached £100 a week; but with income tax at 20%, benefit is not withdrawn until own income reaches £175. In other words, the lower the rate of income tax the more long drawn out the process of benefit withdrawal becomes.

Unlike cash benefits, income tax reliefs redistribute upwards. Income tax reliefs for house purchase, private pensions and private health increase the spending power of those who can afford to purchase houses, private pensions and private health care — and there is no mechanism by which that sort of tax perk can be withdrawn. Everyone else simply has to pay more tax — or get lower benefits.

So far rather little is known about Peter Lilley's social security review, apart from its objectives (see At Home and Abroad), some of which are clearly incompatible. For example, by focusing benefits on *those who most need them,* Lilley is bound to reduce incentives to work and save for those at the edges of entitlement. And each time he reduces the scope for fraud, he is bound to put up administrative costs. Yet by far the most ominous signal so far is his failure to mention tax. In a sense, of course, tax is not his business, yet until the Treasury puts its own house in order, by lifting the lower paid out of tax, the DSS case load will be increasingly swamped by families for whom paid work is a taxable luxury they cannot afford. Between 1979 and 1991 the percentage of families with children claiming means-tested benefits went up from just under 8% to over 28%, and today it must be even higher.

For BIRG/CIRG the pension age consultation process was particularly galling. In June 1992, BIRG submitted its response to the DSS Discussion Paper *Options for Equality in State Pension* (see Books and Papers Received), and is still waiting for a formal acknowledgement! Apparently all lateral thinking was ruled out by Peter Lilley's predecessor Tony Newton, before he left office. Yet the case for using the move to equal State pension ages as an opportunity to introduce Citizens' Pensions — with entitlement based on length of residence in the UK instead of contribution record — is a powerful one. The present system is clearly unfair to men aged 60-64, less than half of whom are in full-time paid work. On the other hand the advantages to women of their earlier State pension age are outweighed by their lower life-time earnings. Far fewer women than men qualify for the State pension, and the amounts they receive are much lower. For example, only about 15% of newly retired women quality for a full Category A pension, and about a third get none at all.

A Citizen's Pension based on length of residence in the UK, starting small, perhaps at age 60, for men and women alike, but increasing with age, and replacing most existing benefits and tax reliefs, could win the support of men as well as women. Nor is it as revolutionary as it sounds, for residence-tested citizens' pensions already exist in Canada, the Netherlands and Scandinavia.

Another problem faced by advocates of Citizen's Income is the wide-spread fallacy that "CI is too expensive". Time and again people who should know better rule CI out on the grounds that it would *require a tax rate on all other income of at least 70%* (see At Home and Abroad: Fabian Society New Year Conference). Since the 70% figure is often attributed to your Editor (*Instead of Dole*, Chapter 9), I will now try to set the record straight![1]

For my figure-work I explicitly assumed a *Full Basic Income*, which I explicitly defined as just under one-third average male earnings, or £60 a week in April 1985. The BI amount for every adult (from age 18) was therefore £60 a week. The amounts for children were: £20 aged 0-4 years; £25 aged 5-10 years; £32 aged 11-15 years; and £44 aged 16-17 years. A disability costs allowance, costing £4 billion a year, was also included. I justified these amounts on the grounds that nobody knows how much it costs to reach an acceptable living standard, but one-third average earnings is the long-standing target of the British trade union movement for the basic State pension.

In the financial year 1985-86, BIs at those levels would have required an income tax rate on all other income of 70-85%, depending on how many of the non-personal income tax reliefs were withdrawn, but without taking into account any behavioural effects. Today the comparable BI amounts would be roughly double, that is to say: £120 a week for adults; between £40 and £64 for children (age-related); £88 for 16-17 year olds; and a disability costs allowance costing £8 billion.

Since nobody in the CI lobby is seriously suggesting CIs at those levels (except for old age and disability pensioners), it would be helpful if CI opponents stopped spreading misinformation, and if CI supporters squashed the *CI is too expensive* argument at every opportunity.

Although CIs based on one-third average earnings are not feasible, work done at the London School of Economics indicates that smaller CIs are both economically and technically feasible — the real obstacles are almost certainly political.[2] Elsewhere in this Bulletin, Professor A.B. Atkinson confronts two such obstacles — abolition of national insurance benefits and abolition of the work test — by proposing retention of national insurance benefits alongside the CIs; and a *participation test* as well as a test of legal residence for the CIs, although participation would be defined to include unpaid as well as paid work.

Unfortunately this proposal creates new problems. Retention of existing benefits makes the scheme more expensive, while the participation test introduces administrative complexity and implementation difficulties. Out go automation without fear of abuse — one of the great attractions of most CI schemes. In come the need to keep tabs on the daily activities of 35 million adults, and the need to ensure suitable participation activities for them. The last is a major problem. For if, as Timothy Whitton reports, the French authorities cannot deliver their side of the 'insertion contracts' signed by a mere half-million claimants of France's *Revenu Minimum d'Insertion/RMI,* it seems unlikely that a British government could deliver 'participation' contracts for every Briton of working age.

Now for internal matters. Readers of the CI Newsletter will already know that Malcolm Torry, BIRG's Director, resigned in February this year. After four-and-a-half years of unstinting work on behalf of BIRG, we are sure that readers will join us in paying tribute to his outstanding contribution, and wish him well in the future. BIRG's new Director is Richard Clements, who is a professional journalist and a former adviser to Neil Kinnock, when the latter was leader of the Labour Party. Through his media and other contacts, Richard is determined to give the views of those who support the CI concept a wider audience. We offer him a warm welcome.

As announced in Bulletin No. 15, BIRG's Trustees decided in January 1992 that the term *Citizen's Income* is more meaningful than *Basic Income* when first encountered, and can be used to cover a wider range of reform options. They also felt that social security reform is an important part of the wider debate about the nature of citizenship. Hence the change of name from Basic Income Research Group (BIRG) to Citizens Income Research Group (CIRG), and the decision to widen the scope of our work.

We must now work hard to combine the immense amount of work done by BIRG in researching Basic Income with the potential advantages — for wider public acceptance — of this change of name. In the very critical debate which is developing about the future of the welfare state, it is essential that positive, long-term solutions are put on the agenda, and that we do not allow Britain's present economic difficulties to be used as a smoke screen for the continuing drift to a residual welfare state. Above all CIRG will be continuing the excellent research and educational work which BIRG started.

The change of name was also timed to coincide with our move to refurbished offices in the London School of Economics. The new offices of the Citizens Income Study Centre, in the St Philips Building of the London School of Economics, in Sheffield Street, will be the core of our operations. We will try to make it possible for those interested in further information to visit us, but please phone first, to ensure that either the Director or Administrator is present.

References

1. Parker, H., *Instead of the Dole: An Enquiry into Integration of the Tax and Benefit Systems*, Routledge, 1989, Table 9.4 and pp 130-4.
2. *Ibid*, Conclusion: *The Obstacles are Political.*

Universal benefit

Christopher Monckton

In Britain, Secretary of State for Social Security Peter Lilley has recently embarked on the second major review of social security within ten years. The first began in 1985 and resulted in the social security changes (mostly cuts) introduced in April 1988. At that time it was described by Government as the most far-reaching review of social security since the Beveridge Report in 1942 — yet here we go again. The 1985-88 review period coincided with Christopher Monckton's time in Margaret Thatcher's Policy Unit, from which he emerged an ardent supporter of Basic Income. Of the points he makes here, perhaps the most important is his condemnation of the Treasury for its use of false public sector accounting conventions. Until this hurdle is overcome, there can be little hope of progress.

By world standards, Britain is prosperous. Yet not a mile from the gilded palace where the Mother of Parliaments grandly debates our affairs, there are people living in brown cardboard boxes. What is the reason for this poverty amid plenty, and how can the poverty be eradicated? Now that Britain is more or less at peace with all her neighbours, these are surely questions which our statesmen should address.

The welfare state, which was supposed to eradicate poverty, has become one of the main reasons why poverty persists. The redistributive systems of taxation of the haves and benefit for the have-nots are worsening the poverty they were intended to eliminate. The present welfare system has the following main defects:

- **It is uncompetitively expensive.** The growing cost of welfare, passed on in tax to the dwindling number of private-sector companies and individuals who have to carry the burden of a public sector that expanded relentlessly even under Margaret Thatcher — and is out of all control under John Major — has already priced Britain out of the world market for manufactured goods, and is rapidly doing similar damage to our service sector. Unemployment is the result.

- **It is needlessly complex.** Once, 2,000 civil servants ran the entire Indian Empire. Now, 80,000 civil servants collect taxes, 60,000 pay out benefits and tens of thousands more work for local authority social services departments, the Employment Department's training schemes, and so on. Claimants have to trail from one welfare office to another, collecting miserable benefits from each. Some 53 million personal accounts are kept on a huge computer at the National Insurance office in Newcastle. Yet the National Insurance system is a costly and needless fiction.

- **It relies too much on means-testing.** The State offensively intrudes into the personal finances and circumstances of each citizen who earns enough to pay tax, and then still more offensively intrudes into the affairs of each citizen who claims benefit. The so-called 'targeting' of benefits is supposed to save money: in fact, its administrative costs far outweigh the saving, and the targeting too often misses the target.

- **It imprisons people in unemployment and poverty.** Those out of work would lose so much benefit and pay so much tax if they did go into work, that they would be worse off working than not working. For similar reasons those in work at low wages are only a few pence in the £ better off working for higher rather than lower wages. One cannot fairly blame a father for refusing work if by doing so he would reduce his family's income.

- **It pays bonuses to families who split up.** Lone-parent benefits are more generous than two-parent benefits. Teenage girls can jump the council-house queue by getting themselves pregnant. No surprise, then, that the size of the average British household has declined as the welfare state has grown.

- **It creates a permanently disadvantaged, economically disenfranchised and legitimately disaffected under-class.** More and more citizens depend utterly upon the State for their survival, having little or no control over their lives and livelihoods, punished if they try to better themselves by working, punished again if they try to keep their families together. Condemned to exist in soulless council estates, they are deprived of the dignity that is their right as human beings.

WHAT MUST BE DONE

Reform is now unavoidable, which is why both the Conservative Government (through Peter Lilley's social security review) and the Labour Opposition (through John Smith's Commission on Social Justice) are at last beginning to think about the problem — or, rather, the opportunity — of caring for their fellow citizens in need.

Bearing in mind the defects of the existing system, here are a dozen criteria against which any new system needs to be judged. It should:

1. Meet everyone's basic needs.
2. Be affordable and internationally competitive.
3. Be administratively simple.
4. Reward those in work more than those on the dole.
5. At the very least, contain no elements that tend to drive families apart.
6. Give real economic and decision-making power to the most disadvantaged.
7. Rely mainly on universal benefits, variable only according to age.
8. Redistribute from rich to poor, but only mildly so.
9. Entail a modest increase in the basic rate of income tax.
10. Stimulate as many beneficial secondary effects as possible.
11. Be phased in gently over time, and be revenue-neutral.
12. Be party-politically neutral.

Taking each of these in turn:

1. Basic needs. No family entirely or principally dependent on the State for its income should receive less benefit under a reformed system than the present system delivers.

2. Affordability. The new system must be affordable and internationally competitive. Conservative objections to the European Social Charter may sometimes be expressed in ideological language, but they are well founded. If Europe's welfare system costs employers too much, work will go elsewhere and unemployment will be the result.

3. Administrative simplicity. This is essential. There is no need to means-test or 'target' benefits as well as taxes. Direct taxation (e.g. through income tax) is itself a form of means-testing. And if direct taxes were ultimately abolished, there would be no need to means-test anyone for anything. Those who received all or nearly all their income from the State would continue to do so under the reformed system, and those fortunate enough to generate their own income would receive the same benefits as everyone else, but would pay them back either through higher income taxes or through higher VAT.

The moment it is accepted that means-tested benefits are unnecessary, it must also be accepted that a Basic Income (or Citizen's Income) should be paid to every citizen regardless of his (or her) other income, or employment status. Administrative simplicity as well as common humanity dictates that a BI or a CI system should replace what we have now. The idea is making such headway in all the major political parties (including the Conservative party) that the Civil Service now has its own preferred name for it: *Universal Benefit.* This label, unlike many Mandarin terms, is clear, and I propose to use it throughout the rest of this article.

4. Work incentives. Any new system must reward those in work more than those on the dole, and those working for higher wages more than those working for lower wages. This criterion dictates that, insofar as possible, the Universal Benefit should be tax-free. The Duke of Westminster should receive as much Universal Benefit as you or I — or a dweller in a brown cardboard box. At first sight this seems unfair: but remember that the tax system on its own is easily capable of clawing back the Duke's Universal Benefit — there is no need to duplicate the administrative cost by assessing tax and benefit separately.

5. Family policy. At the very least families and households must not be driven apart. The present system offers a surprising range of financial incentives for families to live apart. A universal benefit would, at its simplest and best, give each individual a weekly cash sum sufficient to live on. If individuals were to join forces and share a flat, they would economise on their living costs. If a family were to take in their Gran, she would bring her benefit with her. Similarly, if an extended family wanted to live together in a large house, they would readily be able to do so by pooling their Universal Benefits.

By its nature Universal Benefit would encourage rather than discourage larger household sizes, automatically improving the usage of the housing stock, and progressively eliminating homelessness. It would be wholly neutral as to the type of household formed: nuclear families, extended families, student flat-shares, even communes and monasteries. Universal Benefit would also dispose parents to look less unfavourably on the idea that their teenage children be allowed to remain at home, until ready to fly the nest. The loneliness that is one of the many sour fruits of the present system would diminish as household sizes grew.

6. The underclass. In a class-free society there can be no underclass. The Universal Benefit must give real economic and decision-making power, even to the most disadvantaged. The present system has bred an underclass, not only by institutionalising unemployment and dependency (the poverty and unemployment traps), but also by denying people the automatic right to the benefits they need. If every citizen had — and was known to have — the automatic right to receive a certain weekly (or monthly) sum, then everyone would possess a financial commodity that was literally as well as figuratively bankable. Groups of citizens would be able to go to a bank and say: "Our joint Universal Benefit entitlement is x. Our basic living costs are x - y. We wish to borrow against x - y to start our own business."

7. Age-related benefits. The Universal Benefit should vary with age, and only with age. When I was working in Margaret Thatcher's Policy Unit at No. 10 Downing Street I developed a tax-benefit model which indicated a child benefit of about double the then prevailing rate, twice that again for young people aged 16-24, three times the child rate for adults aged 25-59 and up to four times the child rate for pensioners or those with special needs. The calculation also indicated that there was no need to take account of employment status or income in calculating benefit entitlement. Even with a flat-rate income tax the final distribution of income could be broadly similar to that which now prevails.

8. Income redistribution from rich to poor. There is an inevitable, though surprisingly small, cost in eradicating the poverty and unemployment traps. As compared with the present system, the chief gainers would be the relatively small number of workers on very low incomes, especially families with children. These are, of course, the very people who need to be set free from the poverty and unemployment traps. The highest earners could gain somewhat from a flat-rate income tax, but this gain would be cost-free in overall Exchequer terms, because the revenue loss (if any) would be more than matched by the administrative savings. A supplementary jealousy-rate on the highest earners could be retained, if it were thought politically necessary, but only by paying the financial costs of sacrificing simplicity. Also the gains at the top could be offset by phasing out income tax reliefs for private pensions and house purchase. The chief losers would be the rather larger group of middle-management, earning reasonably well above the average, but their losses would be small and affordable and would mainly affect those without children. Those at or close to average earnings would be neither advantaged nor disadvantaged by a Universal Benefit and flat-rate tax system.

9. Slightly higher income tax. A modest increase in the basic rate of income tax is essential to pay for the Universal Benefit. Actual (and consequently marginal) tax rates for everyone but the poorest would rise by perhaps 5 pence in the £. The poorest, many of whom now suffer marginal tax/benefit-withdrawal rates of 80 pence (or more) in the £ for every extra £ they earn, would in future have the same tax rates as the richest. An extra 5 pence in the £ on income tax would more or less exactly reclaim the Universal Benefit paid to average earners, leaving them no better or worse off than under the present system.

10. Beneficial secondary effects. The present welfare system has many downright damaging and expensive secondary effects: it over-taxes the productive sector, driving jobs overseas; it imprisons the poorest in their poverty and the jobless in their unemployment; it costs a fortune to administer; and so on. By comparison a Universal Benefit system would have a number of useful and financially advantageous secondary effects. Chief among these would be the decline in unemployment as a result of improved incentives.

It is the unskilled who would be most helped by Universal Benefit. At present, a father of two needs to earn something close to the average wage to take home more in work than on the dole. To employers unskilled labour is simply not worth the average wage, but if every potential worker, however unskilled, were receiving Universal Benefit automatically and as of right, employers would be able to offer lower wages than now and would have no difficulty in finding takers, because the workers concerned would always be better off by earning more. Universal Benefit is not a shirkers' charter. On the contrary, it is the present system, with its cash disincentives to employment, which is the shirkers' charter. Universal Benefit would remove these cash disincentives and replace them with cash incentives.

11. A period of transition and revenue neutrality. Universal Benefit must be phased in gently over time. Any such system, however limited, would be a major reform. To permit potential losers to adjust their circumstances and minimise their losses, the scheme would have to be phased in over five to seven years — two Parliaments rather than one. The first step would be to replace all the existing income tax allowances and reliefs for mortgage interest and private pensions. Next, income tax would be levied at a single rate; or, if the opportunity were taken to abolish income tax and pay for the entire system through expenditure taxes, income tax could be reduced stepwise to extinction and VAT extended little by little (with direct and full compensation for the poorest, via the benefit system).

12. Party-politically neutrality. If at any stage during the transitional period there was a change of government or a change of mind, or the system appeared to be failing, there would be ample opportunity to amend it, reverse it or abandon it. The modelling we did in No. 10 showed that the secondary effects of Universal Benefits would be almost as substantial as its primary effects, and might be unpredictable (though generally beneficial). So the motto of those phasing in the scheme should be *fortiter in re*, but above all *suaviter in modo.*

LOOKING-GLASS WORLD OF THE TREASURY

During our modelling we identified two important political criteria, without which it would be impossible to argue successfully for so radical (yet reasonable) a reform. These criteria are:

- Revenue neutrality
- Political neutrality

The most significant question we answered in our modelling was whether a Universal Benefit scheme could be afforded at all. Our conclusion was that a revenue-neutral scheme (which would at worst not leave the Exchequer showing a loss as against the present system) was entirely possible. In particular, we calculated that a scheme which delivered to everyone at least the benefits that are now payable to those with no income of their own could be implemented without raising the basic rate of income tax by more than about 5 pence in the £. Indeed, the tax rate might not have to rise even by this amount, if unemployment fell and other savings were achievable.

At this point in our evaluation, however, a ludicrous snag appeared. The Treasury objected vigorously to any extension of universal benefits on grounds of cost. When we pointed out that one of our criteria was to ensure that the Exchequer did not lose by any proposed reform, we were told that any extension of universal benefits was bound to show a loss to the Exchequer, even if tax rates were raised to pay for it, because tax reliefs (which would be abolished under a Universal Benefit scheme) do not count as public expenditure, while cash benefits (which would replace the tax reliefs) do. So public spending, as measured by the Treasury, would appear to soar.

The superficially plausible argument of the mandarins in favour of this absurd accounting practice is that if the State pays the citizen a cash sum then clearly a payment has been made and the public-spending total must reflect it, but if the State fails to collect from the citizen a sum which it might otherwise have collected then no payment has been made and nothing should appear in the national accounts.

The futility of this argument becomes immediately apparent when one considers what happens when the State decides to withdraw an income tax relief and replace it with a cash benefit (as happened in 1979, when child benefit replaced child tax allowances). Let us suppose that Jane Taxpayer formerly received an income tax allowance worth £9 a week for her little Eustace. In reality, Jane was £9 a week richer, and the State £9 a week poorer, than if Eustace had never been born. Yet in the Treasury's looking-glass world the State was no poorer even though Jane was richer.

Since child tax allowances were abolished (in 1979) and replaced with direct cash benefits (child benefit), Jane has to pay, say, £9 a week more tax than she did when she got child tax allowance, but gets, say, £9 a week in child benefit instead. So she is no better off and no worse off. The Treasury, however, used not to count her child tax allowances as public spending, but does count her child benefits as public spending, so it declares itself £9 a week poorer as a result of the change — even though Jane is not a penny richer. Worse still, the Treasury mounts a continuing assault on child benefit.

Does all this matter? Yes it does, vitally, because national accounts prepared using this daft accounting principle are useless as a starting-point for policy formation. In particular, unless the Treasury is forced to mend its ways, it will always block the consideration of any universal benefit scheme, erroneously believing it to be in all circumstances unaffordable.

NO PIPE-DREAM

Radical reform along the lines of a universal benefit cannot be implemented without a reasonable degree of acquiescence from all sides of the House of Commons — therefore the details of the scheme must be politically neutral. As with Beveridge, so with Universal Benefit, a consensus must be built. Our modelling in the Policy Unit bore this point firmly in mind. Our scheme allowed Socialists to raise the basic tax rate and push up Universal Benefit rates, and it equally allowed Tories to reduce both. It was designed to impose no ideology upon anyone: merely to be a vehicle for an intelligent and sympathetic reform, which would remove the defects of the present welfare state, while leaving the disadvantaged at least as well protected as they are now.

Our exercise was not, however, a dull, mechanistic crunching of numbers. The number-crunching was necessary, because it told us beyond reasonable doubt that a workable Universal Benefit scheme is realistically possible. It is not just a pious pipe-dream. We wanted to be sure that even the very poorest could in practice be lifted out of their poverty; that the jobless could in practice find work again; that the homeless could find homes; that the lonely could find company; and that the millions now enslaved in the misery of an outmoded welfare state could be given once more that rare commodity: hope.

TAIL-PIECE

During our researches, I encouraged Edward Leigh MP to sponsor a debate in the Commons on a Ten-Minute Rule Bill outlining the idea. Edward received so much support from all sides of the House — from the Labour Left *via* the soft centre to the Tory Right — that Nigel Lawson (then Chancellor of the Exchequer) called him in to No. 11 after the debate, to tell him that the figures could not possibly be made to add up.

"Oh, yes, they can," replied Edward. "You have only to step next door and Monckton will show them to you on his computer."

Lawson groaned. "Not Monckton again!", he said. "The man's mad, you know."

Christopher Monckton worked in Mrs Thatcher's Policy Unit from 1982 to 1986. He is now the director of a consultancy in public administration, and is a Trustee of Citizen's Income.

Participation Income

Tony Atkinson

In December 1992, Professor Atkinson gave a lecture entitled **Beveridge, the National Minimum, and its Future in a European Context**. *The lecture was presented first at the London School of Economics, as one of three Suntory-Toyota Lectures marking the fiftieth anniversary of the Beveridge Report. The second presentation, in Edinburgh a few days later, was addressed to a Plenary Session of the Poverty Summit. This article is a summary of that lecture, with special reference to the later sections in which the author argues in favour of modernised social insurance plus a conditional Participation Income (PI) — the latter instead of social assistance. In the article reference is made to National Assistance, Supplementary Benefit, and Income Support. These are Britain's post-war systems of social assistance — starting with National Assistance in 1948, changing to Supplementary Benefit in 1966, and to Income Support in 1988.*

Old problems

The central problem that concerns me today is very much the same as that with which Beveridge was confronted fifty years ago. His Plan began 'from a diagnosis of want', and there is still concern about the living standards of those at the bottom of the income distribution in Britain today.

For example, from the latest *Households Below Average Income* study published by the Department of Social Security,[1] one can see that the lowest income groups have failed to share equally in the gains in average real incomes over the past decade. Between 1979 and 1988/89 average real equivalent income (after taking family size into account) rose by about 30%, but the income in the middle of the bottom decile (that is, 5% up from the bottom) increased by only 2% before housing costs, and actually fell by 6% after housing costs.

In seeking the reasons why the poor are failing to keep up, the answer given by Beveridge in 1942, in reference to the 1930s, is still relevant:

> Of all the want shown by the surveys, from three-quarters to five-sixths ... was due to interruption or loss of earning power.[2]

Since the 1970s there has been a sharp decline in the contribution of work to family incomes.[3] For example, by 1985 approximately 30% of families were without an income from work, compared with 20% in 1975.

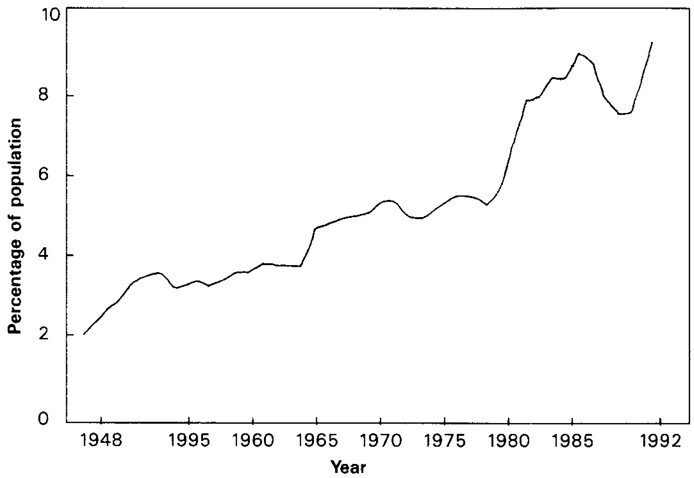
In turn, the social security system has failed to provide the necessary guarantees against loss of earned incomes. National Insurance has not ensured the effective national minimum which Beveridge envisaged. This is most striking in the case of the unemployed, where it is scarcely an exaggeration to say that post-war unemployment insurance worked in an acceptable manner only so long as there was no significant unemployment. The level of the National Insurance benefit has always been too low to allow claimants to live independently of means-tested assistance, and the limitation of unemployment insurance benefit to a 12 month period means that many unemployed people exhaust their entitlement. Others do not meet the contribution conditions, which have been significantly tightened in recent years. Consequently, whereas in the 1950s and 1960s more than half the unemployed received insurance benefit, now only about one quarter do so.

Other groups have been less affected by reductions in coverage, but there has also been pressure on benefit levels. The automatic linking of retirement pensions to earnings was abolished in the early 1980s and only price upratings guaranteed. As a result the basic state retirement pension has fallen over the 1980s from over 30% of net average male weekly earnings — not itself a particularly generous figure — to some 20%.

Growth in means testing

As insurance benefits have been cut back, so more of the unemployed have become dependent on means-tested Income Support. Many pensioners continue to depend on Income Support, as do one-parent families, the disabled and others. As the graph shows, rather than the numbers on assistance falling, as Beveridge hoped, they have grown from 1 million (or 2% of the population) in 1948, to 5 million (or 9% of the population). Moreover, these figures do not include the members of the families concerned. If we include them and also those living in families in receipt of Family Credit, then we arrive at a figure of some 16% of the population in 1992. In other words, by 1992 about 1 person in 6 depended on means-tested benefits.

Receipt of Social Assistance in Great Britain 1948-1992



Sources:
1948-1965 (National Assistance) from National Assistance Board, *Report for the Year Ended 31st December 1965,* p. 54, figures for December of each year;
1966-1987 (Supplementary Benefit) from Department of Health and Social Security, *Social Security Statistics 1980,* Table 34.30, and Department of Social Security, *Social Security Statistics 1989,* Table 34.29, figures for November or December;
1988-1991 (Income Support) from Department of Social Security, Social Security — *The Government's expenditure plans 1992-93 to 1994-95,* p. 41.
1992 from *Monthly Digest of Statistics,* December 1992, Table 4.3.
The population figures are the mid-year estimates from Central Statistical Office, *Annual Abstract of Statistics, 1992* (No. 128), Table 2.1, 1961 (No. 98), Table 6 and 1938-1950 (No. 88), Table 6.
The figures relate to Great Britain.

New dimensions

These problems would have had a depressingly familiar ring to Beveridge, but there are also new dimensions, of which I shall highlight three:

- Labour-market pessimism
- Independence
- Europe

● **Labour-market pessimism.** Beveridge emphasised that social insurance should be seen as an integrated part of a wider policy of social and economic progress — not as something separate. And he based his plan on the assumption that government policy would be directed at maintaining employment.

Today, however, we are less confident in the capacity of governments to manage the economy, and more aware of the limits on economic policy-making. It is also the case that paid work has become less effective as an anti-poverty guarantee. Over the 1980s, the low paid have fallen further behind average earners, intensifying the problem of poverty among working families.

So while I'm not arguing that the present state of the labour market should be accepted, I do believe that social security has to be designed taking a cautious view as to what policy can achieve in this area.

● **Independence.** A second major change has been in social attitudes towards independence, and the obligation placed on others to support those in need. In one respect, Beveridge was quite progressive, endorsing the important change made in the Determination of Needs Act of 1941, which ended the household means test. National Assistance, introduced in 1948, gave people on low incomes a right to benefit without consideration of the resources of their non-dependent children or their parents — which by the standards of other European countries allowed much more freedom.

Since then, however, our conception of independence has gone further, as is evidenced by the introduction of separate income taxation for husbands and wives. Seen from today's perspective, it is not now acceptable to base a plan for social security on a model of the family supported by male bread-winners, and where the principal role of women is to be wives and mothers. On the contrary, any social security system for the 21st century must be based essentially on the individual, and must permit and support independence.

● **European Context.** Discussing matters European is hazardous in the current state of flux, so I shall take the medium-term to long-term perspective, and assume that the Maastricht Agreement will proceed, that the Social Charter will be adopted, and that Britain will in due course accept the Charter.

The social protection provisions of the Social Charter have a two-tier structure. First, all workers in paid employment have a right to social security benefits at a sufficient level. Second, all persons excluded from the labour market have the right to a guaranteed level of resources. It is this second tier which represents the European minimum, on which I intend to concentrate.

In asking what is envisaged for the second tier, it is important to see the British situation from the point of view of the rest of Europe. As far as social assistance is concerned, Britain has been among the leaders, being one of the first to produce a unified system of national assistance, and with long experience of operating such a system based on benefit offices rather than social work or voluntary agencies.

This is important in understanding why the social protection provisions of the Social Charter are being seen elsewhere in the Community in terms of a minimum income guarantee — that is income-tested assistance. Britain's Income Support, or France's *Revenu Minimum d'Insertion* (RMI) (see Tim Whitton elsewhere in this Bulletin), are perceived as models for implementation of the second tier of the Social Charter. But this, as I will now argue, would be a mistake.

Beveridge was right about means testing

For Beveridge, National Assistance had a necessary but subsidiary role:

> the scope of assistance will be narrowed from the beginning and will diminish ... The scheme of social insurance is designed of itself when in full operation to guarantee the income needed for subsistence in all normal cases.[4]

Beveridge took this view on account of "the strength of popular objection to any kind of means test"[4], and the way it penalises individual effort.

In fact, contrary to Beveridge's intention, assistance did not decline but increased in importance, as the graph shows. But Beveridge was right, for several reasons. The means-tested approach to social security necessarily penalises personal effort. For example, it is one reason for the poverty trap, when excessive dependence on means-tested benefits, combined with taxation beyond ability to pay, results in low paid families being little or no better off as a result of earning more. Even if today's poverty trap no longer leaves low paid families worse off if they earn more, the system still allows them to keep less out of each extra £ they earn (after tax and benefit withdrawal) than the highest paid families in the land.

Perhaps more importantly, it's not just individual efforts that are penalised, but those of the person's family as well. Unlike individualised social insurance, social assistance discourages the partners of unemployed men from earning income. And, even if the poverty trap does not discourage work, it is now widely perceived as 'unfair' that a person should derive so little additional reward from additional effort.

Popular objection to means-tested welfare is revealed in the recurrent problem of incomplete take-up. The reasons for this are manifold, but the failure of successive take-up campaigns indicates that it is not simply a matter of inadequate information. There are deep-seated objections to claiming means-tested benefits, reflecting past history and cultural values, and reinforced by the new trend toward independence. The means test can only make sense when applied to the family or household as the unit of assessment, and therefore runs counter to the desire for a social security system that ensures independence — which is particularly important for women and young people.

The definition and administration of a means-tested social minimum is also extremely complex. How is income to be defined in applying the income test? Is certain income to be disregarded, like gratuities for the Victoria Cross? What is to be the definition of the recipient unit? What is to be the liability of other family members to maintain? Over what period is income to be measured? How far are assets to be taken into account? The fact that administrative costs per £1 of benefit are seven times higher for Income Support than for child benefit is indicative of this greater complexity.

If we are seeking a basis for a second tier of social security which allows a European-wide, and not just a national, minimum income to be set in place, then in my judgement it has to be based on a benefit which is simpler in structure than means-tested social assistance. Britain has the dubious advantage of having experimented extensively with a minimum income guarantee, and we have seen its shortcomings. A means-tested second tier is not the route for Europe to follow.

Should we go back to Beveridge?

In 1969, I argued that Beveridge's recommendations had not been tried as proposed, and I examined the case for a significant increase in national insurance benefits, designed to reduce dependence on Supplementary Benefit (predecessor of Income Support). Today I'm still convinced that social insurance has an important role to play. It enjoys considerable public support, and provides for a wide range of contingencies. It is independent in construction, so that benefits are usually paid in relation to individual rather than family circumstances. Of course, there are major areas which need reform: unemployment insurance should be paid for an unlimited duration, and the basic state pension should once again be indexed to net average earnings; the State earnings-related pension (Serps) should be restructured to provide a benefit that is closer to those available in France and Germany. There should be new benefits for carers and the disabled. And provision should be made for part-time work.

The design of a modernised social insurance system should be on the agenda. Moreover, the European dimension has reinforced my belief in social insurance. The social security systems of the other EC countries are heavily based on this principle, and it enjoys the confidence of the social partners — employers and workers' representatives — who under Maastricht enjoy increased authority. A social insurance system can be managed at a national, or sub-national, level by quasi-independent institutions, answerable to their members, or members' representatives. Moreover, social insurance by providing a transparent link between contributions and benefits *via* the contribution principle is less subject to the downward pressures of fiscal competition between member states. If governments are concerned about the loss of their tax base through migration, then it is the full remuneration package, including guaranteed benefits, that is relevant; if it is electoral pressure for tax cuts, then again social insurance provides a clear assurance that there will be a return for contributions paid.

Yet the same contribution principle is one reason why reformed social insurance cannot be the whole of the story. The origins of social insurance are to be found in the modern employment relationship,[5] which does not recognise the needs of those outside the formal economy, such as people taking care of dependents. Moreover, the contribution conditions that are an integral part of social insurance exclude those who have recently entered the labour market, and those who have interrupted work careers. With social insurance, there are difficulties in providing for the more flexible working arrangements that are likely to characterise the next century. And there is the basic difficulty that social insurance does not provide for those in low-paid work, including many women.

Basic Income (BI) rather than Social Insurance (SI)?

The limitations of social insurance are one reason why Basic Income **and** Social Dividend have been put forward as alternatives. Fifty years ago, this idea was promoted as an alternative to the Beveridge Report by Juliet Rhys Williams, in a book with the subtitle *A Suggestion for a New Social Contract*.[6] Later on it was taken up by among others her son, Sir Brandon Rhys Williams MP, and James Meade. As subsequently developed, the BI would replace all existing social insurance and most assistance benefits by a single payment, paid on an individual basis, without any test of means, and conditional only on legal residence. In the simplest form of the scheme, there would be a single tax rate on all other income, although the BI itself would be tax free.

However, despite the attention it has been given, and despite finding supporters in all political parties, BI has not been introduced. Instead, it is the demerits of BI that have so far carried the day. If one asks why, then in my judgement there are two serious obstacles:

- The strength of public support for social insurance
- BI's lack of conditionality.

● **Public support for social insurance.** Support for SI is particularly strong among the social partners, and in a European context this is important. Moreover, this support is not without foundation. The differentiation involved in the typical social insurance scheme is not entirely arbitrary, and the BI payments would need to retain some categorical elements (for instance BI supplements for people with disabilities). Also, as argued above, the relationship between insurance benefits received and contributions paid reduces the risk of fiscal competition between governments.

In my view, it is a mistake to see BI as an alternative to social insurance. It is more productive to see BI and SI as complementary to each other. For this reason, I am much more persuaded by the approach to BI adopted by Hermione Parker as the first phase of a move to a BI.[7] In her BIG Phase 1, she outlines a scheme that would replace income tax allowances whilst retaining an earned income tax credit, but would keep the existing structure of social insurance benefits. However, I would see this partnership between SI and BI not just as a transitional compromise, but as an alternative BI strategy. The BI would complement an improved SI, by reducing dependence on means-tested social assistance, and by helping the lower paid.

● **BI's lack of conditionality.** Retention of social insurance is probably not, on its own, enough to ensure widespread political support for BI. A major reason for opposition to BI lies in its lack of conditionality. One of the legacies of the Thatcher years has been concern about dependence, and these concerns are not limited to Britain. France's *Revenu Minimum d'Insertion* gives a central role to negotiation of a contract of 'insertion' in the labour market. In this way, there is a link with positive measures of labour market policy.

In order to secure political support for BI, it may be necessary for the proponents of BI to compromise — not on the principle that there is no means test, nor on the principle of individual assessment units, but on the unconditional payment.

To do this would in fact be in line with the original proposal of Juliet Rhys Williams, who wrote of her new social contract that:

> the State would acknowledge the duty to maintain the individual and his children at all times, and to ensure for them the necessities of a healthy life. The individual, in his turn, would acknowledge it to be his duty to devote his best efforts to the production of the wealth whereby alone the welfare of the community can be maintained.[8]

A Participation Income (PI)

The most promising route may be to complement modernised social insurance with a scheme that preserves the universal and individual nature of BI, but which is conditional on *participation*. The way in which this participation would be defined requires detailed consideration, but would no doubt include:

- Work as an employee or in self-employment
- Absence from work on grounds of sickness or injury
- Inability to work on grounds of disability
- Unemployment (but availability for work)
- Participation in approved forms of education or training
- Caring for young, elderly or disabled dependents
- Approved forms of voluntary work

The condition, therefore, is not paid work — it is a wider definition of social contribution. The determination of these conditions would be different from Income Support. For example, an unemployed person who undertook part-time work would *qualify* for the BI, whereas at present an unemployed person who does part-time work may be *disqualified* from Income Support. Undoubtedly there would be problems — problems which would not arise with the unconditional BI. Moreover, because of these problems, there would be people who failed to secure the BI. There would also undoubtedly be behavioural responses, as people adjusted their actions in order to qualify. And there might be repercussions for wage levels.

Such a scheme nevertheless offers considerable prospects, particularly in what I conceive to be its main role — the reduction in dependence on means-tested benefits. Introducing a 'participation test' may be the only realistic way to persuade governments of a better route forward than the dead-end of means-tested assistance. This is particularly true at the European level, where the driving forces are much concerned with the labour market.

Costings

What would such a scheme look like in more concrete terms? The following details have been run through a new tax-benefit model called POLIMOD.[9] The version of the Participation Income (PI) considered involved:

- Abolition of all income tax allowances
- Abolition of the upper earnings limit on NI contributions
- Abolition of the 20% income tax band, but retention of the existing 25% and 40% bands
- Taxation of all income, including national insurance benefits, but excluding the first £10 a week of earnings
- A BI of £12.50 a week for all children, in place of child benefit
- A PI from age 18 for all who are employed or self-employed, away from work on account of sickness, injury or unemployment, disabled, or caring for dependent children.

The calculations suggest that an adult PI of £18.25 a week would be revenue neutral. This would cover the great majority of the population. If all the non-participating adults were to change their behaviour in order to qualify, then the amount would be reduced to £17.75 a week. With such a PI the number of families dependent on means-tested benefits would be reduced by half a million. A third of families would be worse off in cash terms; 10% would be virtually unaffected; and 57% would gain. Among the latter there would be many women.

If the basic rate of income tax (excluding national insurance contribution) were raised from 25% to 35%, and the higher rate to 50%, then the PI could be increased to between £37 and £39 a week. The number receiving means-tested benefits would be reduced by more than 2¼ million. Including NI contribution, this would give a top marginal tax rate of 59%. However, the PI on its own would not be enough; there would also have to be improvements to social insurance.

Conclusion

The route to an effective national minimum for Britain is, in my view, improved social insurance, complemented by a Participation Income. The means-tested route followed by the present government cannot offer an effective solution. For all the rhetoric about targeting, means testing has not worked, and a major aim of policy in Britain should be to reduce dependence upon it.

A two-tier strategy combining modernised social insurance with a Participation Income, is consistent with developments in Europe. While social insurance can be set according to national preferences, it is the PI that should provide the basis for the European safety net. Our European partners should be told that the way to an effective European safety net cannot be found by some modern version of the Poor Law.

Finally, in discussing the choices to be made, judgements have to be made about political feasibility. Like the Beveridge Report, the proposal sketched here involves income redistribution. This cannot be avoided. To achieve an effective national minimum, those above that minimum are going to have to pay higher taxes. If the proportion of families without an income from work has risen from 20% to 30%, then those in work are going to have to pay higher taxes or contributions. It does public debate no service to suggest that an effective national minimum can be achieved at no cost, simply through more efficient targeting. Taxation has to be rehabilitated.

Tony Atkinson is Professor of Political Economy at the University of Cambridge. Previously he was Professor of Economic Science and Statistics at the London School of Economics, and Chairman of the Suntory Toyota International Centre for Economics and Related Disciplines.

Notes and References

1. Department of Social Security, *Households Below Average Income; A Statistical Analysis 1979-1988/9*, HMSO, 1992, p.28.
2. Beveridge, Sir William,*Social Insurance and Allied Services*, Cmd. 6404, HMSO, 1942, p. 7.
3. Atkinson, A.B., *What is Happening to the Distribution of Income in the UK?*, Keynes Lecture, British Academy, October 1991.
4. Beveridge, Sir William, 1942 (see Note 2), p.12.
5. Atkinson, A.B., *Social Insurance*, Geneva Papers on Risk and Insurance Theory, vol 16, pp. 113-131.
6. Rhys Williams, J., *Something to Look Forward To: A Suggestion For A New Social Contract*, Macdonald, 1943.
7. Parker, H., *Instead of the Dole: An Enquiry into Integration of the Tax and Benefit Systems*, Routledge 1989.
8. Rhys Williams, J., 1943, (See Note 6), p. 145.
9. POLIMOD, produced by Holly Sutherland, will shortly be available from the Microsimulation Unit, Department of Applied Economics, University of Cambridge. POLIMOD enables users to cost different tax-benefit proposals, and compare their redistributive effects.

YET ANOTHER review of social security

On Tuesday 22nd April 93, giving evidence to the House of Commons Social Security Select Committee, Peter Lilley MP (Secretary of State for Social Security) set himself the following terms of reference for his social security review.

1. To focus benefits on those who most need them.
2. To encourage personal independence.
3. To withdraw from areas where state provision is no longer appropriate.
4. To improve incentives to work.
5. To enable more efficient administration and better customer service, by developing a simpler system delivered by modern means.
6. To reduce the scope for fraud and abuse.

CIRG would welcome your comments on these aims. Are they desirable? Are they compatible? Are they achievable — without simultaneous reform of income tax and NI contributions? Which aims do you think are the most important, and which of the following systems is most likely to achieve them:

A Citizen's Income?
A reformed National Insurance system?
A Residual Welfare State?
i.e. income tax reliefs for the rich
means-tested benefits for the very poor,
and mothing for the nearly poor.

A mixture?

Please join the debate by sending us your views

Does 'insertion' work? France's minimum income

Tim Whitton

*France's **Revenu Minimum d'Insertion (RMI)** received the approval of the French Parliament on 1st December 1988, and came into effect shortly afterwards.*[1] *In addition to a means test, the RMI is conditional upon signature of a contract **(le contrat d'insertion)** by which its recipients pledge themselves to take whatever action the RMI authorities recommend in order to re-insert themselves in main-stream society. **Insertion** is a difficult concept to translate into English. For advocates of Citizen's Income (CI) the word **integration**, though often used in translations from French into English, is confusing, because Basic Income (which is a form of CI) involves integration of the tax and benefit systems. A fully integrated tax-benefit system would treat every citizen (taxpayers and beneficiaries) according to the same rules and regulations, which in the case of RMI recipients is clearly not the case. Since **insertion** is an English as well as a French word, and since in both languages it implies a degree of force or compulsion, that is the word used here. **Revenu Minimum d'Insertion** is therefore translated as **Minimum Insertion Income**. 'Inserting' the poorest into mainstream society, as the author explains, is easier said than done. So the eventual effect of the RMI may be to point France in the direction of a universal Citizen's Income based on legal residence.*[2]

The introduction of a guaranteed minimum income has provoked intense debate in the French Parliament over the last fifteen years, coming to a head during the 1980s as a result of increasing poverty, which is perceived as a perpetual threat to *Liberté, Fraternité, Egalité*, especially when the bicentenary celebrations of the French revolution are still fresh in our minds. Until 1988 France had nothing similar to Britain's *income support*, Germany's *Sozialhilfe*, or the social assistance systems of Belgium, Denmark and the Netherlands. Despite pressure in some quarters for a Basic or Citizen's Income (*revenu de base* or *allocation universelle*), the idea of a guaranteed income without a work test has never won much acceptance in France, because it would be considered as "just another hand-out", and an open door for shirkers and misfits, who are frowned upon by the ostensible egalitarianism of French community spirit.

After a fierce debate, the *Revenu Minimum d'Insertion* became law in 1988. The most important aspect of this new allowance has always been the *insertion* clause, which seemed to provide a solution that would suit both Parliament and the general public. *Insertion* enables the allowance to be paid to a vast category of claimants, and although restrictive in some ways, in others it is more personalised, perhaps enabling its beneficiaries to feel more responsible for their financial autonomy.

Entitlement regulations

To be entitled to the RMI, claimants have to be at least 25 years of age, unless they have dependents.[3] These include children, partners or other members of the household who rely on the claimant for support. Close family ties between claimants and their dependents are not required. Foreigners must have the necessary documents proving their right of abode, and must show willingness to integrate themselves into the national community. European legislation has made the RMI slightly more accessible to members of the European Community (EC), providing they meet the necessary requirements.

The exclusion of young single people may seem strange, but the explanation for it is based on two main principles. First, various schemes and financial support systems are already available to young people. Second, it was considered anti-social to increase the number of isolated under 25s by making it easier for them to leave the parental household. Although in some respects this argument is plausible, it does seem extremely harsh to exclude all young people from the insertion allowance. There is no proof that existing allowances for the under 25s have an adverse effect on family ties, and a more flexible approach would surely be more appropriate. After all, the claimant's age could be taken into account when drawing up the contract.

RMI amounts

Fixing the amount of the allowance was another fiercely debated subject. At first it was suggested that the RMI be linked to the SMIC (France's national minimum wage or *Salaire Interprofessionnel de Croissance*), but this proposal was quickly abandoned in order to avoid establishing any link between the RMI and the value of work.[4] There were also many references in the Parliamentary debates to the danger of setting the RMI too high, lest it deter people with low earnings potential from taking paid work. In the final legislation it was linked instead to the *family budget* estimates produced periodically by various organisations, the most prominent of which is INSEE.[5] These estimates are revised by central government every six months, in the light of price changes, and the RMI is modified accordingly. Although this procedure seems to be satisfactory, the compilation of the reference budgets does give rise to controversy.

In 1988 when the RMI was implemented, a single claimant was entitled to a maximum of Frs 2000 a month (or about £200 at that time). The first direct dependent (living in the same household) could claim up to Frs 1000, and for each further dependent there was an allowance of Frs 600 per person. The rates in July 1992 were Frs 2224 for a single person, Frs 3336 for a household with two people, and Frs 889 for each subsequent dependent. In January 1993 they were uprated to Frs 2253, Frs 3379 and Frs 901 respectively.

Money for the RMI comes from general taxation, through the *fonds de solidarité* (solidarity funds). It is administered by the *Ministère de la Solidarité* (Ministry of Solidarity), according to legislation. As far as I have been able to tell from my fieldwork, the RMI has caused minimal 'disturbance' to the tax bill, because RMI expenditure has been partly offset by savings on other benefits.[6]

A residual allowance in a binding contract

The RMI is a residual allowance, which corresponds to the difference between the legal minimum and the claimant's personal or household net disposable income. Deductions from the legal minimum are made by the RMI authorities for 'resources' like family allowance, housing benefit, maintenance allowances, and employment or training schemes. In this connection, and in order to justify their claim, beneficiaries must take up — and obviously make known — all financial support already available to them. The aim of this is to ensure that the RMI does not fill in the gaps left by low take-up of other allowances.

For example, in January 1993 a standard amount of Frs 270 a month was deducted from a single claimant's RMI, if he was entitled to receive that amount (or more) in the form of housing benefit. For a household with two claimants, the standard deductible amount was Frs 540 and for three or more it was Frs 669. Below these amounts the entire sum of housing benefit was deducted. These standard deductions are also made if the claimant or claimants have free lodgings. Benefits in kind (e.g. a garden, or free meals at work) are also taken into account.

Income resulting from work is deducted on a *pro rata* basis, in an attempt to ensure that implied marginal tax rates never reach 100% — the intention being, of course, to minimise disincentive effects. In January 1993, for instance, the first Frs 778 a month of income from work (i.e. 35% of a single person's RMI allowance) did not entail any reduction in the amount of RMI payable. But above this threshold, earned income was deducted at the rate of 60%.

Other incomes of a more irregular nature (e.g. removal allowance or compensation for an accident) are not taken into account. Money from the RMI cannot be sequestered, but in some cases it can be used to repay debts — provided the claimant has honoured his or her side of the *contrat d'insertion*. The RMI is above all an extremely 'personalised' benefit, and co-operation between claimants and the social services has to be optimal for both sides to understand their parts of the contract.

When drawing up a contract, the first step is calculation of the claimant's resources. This is followed by an assessment of the claimant's social environment, still with a view to adapting the contract to individual circumstances as efficiently as possible. In order to establish *insertion* schedules and deadlines which meet individual needs, the system binds both parties to renewable negotiations. Contracts are explicit and are signed by both parties, thereby making claimants more responsible for their own integration prospects. The terms of the contract are determined like those of any other binding agreement, and establish on the one hand co-operation between claimant and authority, and on the other, the results expected. In this way the degree of success or failure can be evaluated at a later date.

The contractual aspect of the RMI highlights the government's concern with matters other than labour-market participation — although the insertion aspect does imply finding employment. As part of the *insertion* process, claimants are advised to be as active as possible in their local communities, and to follow courses or undergo further training in their own particular field. They are also encouraged to be socially active, in order to acquire more independence. For example, one claimant wanted to take out his heavy goods vehicle driving licence and needed financial assistance in order to begin his training. He was granted the RMI. The social services also helped him pay for his driving lessons, because he had found an employer ready to employ him, provided he obtained his licence. Another claimant asked for the RMI because she wanted to learn to read!

Administration

Claims can be made through most social services, and are then transferred to the *Centre Communale d'Action Social (CCAS)*.[7] They are then sent to the *Comité Local d'Insertion/CIL*,[8] and finally to the *Caisse d'Allocations Familiales (CAF)*[9] (which is the national organisation responsible for all family allowances). The CCAS deals with claimants' files, contracts and follow-up, in accordance with regional guidelines established by the *Comité Départemental d'Insertion (CDI)*.[10] These guidelines are essentially designed to help adapt the RMI to local economic conditions, and to prevent overlaps with other benefits. Once accepted, every claim has to be signed by the local *Préfet*.[11] Initial acceptance is for a period of three months, after which renewal must be sought. Payment of the RMI remains the responsibility of central government, although efforts at decentralisation have been made, on the grounds that the main decisions should be taken locally.

Claimant profiles to date

In the first three years after implementation, approximately 950,000 households benefited from the RMI, 825,000 in mainland France, and the rest in the overseas territories. This implies that around 2 million people (claimants plus dependents) enjoyed an increase in their disposable incomes, or received improved health care.[12] In mainland France the RMI covers 1.8% of the population, and in the overseas territories the comparable figure is 17.8%.

On 31 December 1991, an estimated 567,000 people (470,000 in mainland France) were receiving cash benefits through the RMI. This, together with extended health care, meant that around 1.2 million persons (920,000 in France) were actually affected. Some 58% of claimants were single people without children (36% men and 22% women); 21% of claimants were lone-parent families; 5% were couples without children; and 16% were couples with children. The small number of couples with children receiving the RMI is probably due to France's rather generous system of family income support.

Almost 90% of claimants were French, or from the European Community. Nearly 60% were unemployed prior to receiving the RMI, and 16% had not been in any kind of stable employment for three years.

The average monthly payment was Frs 1836, with nearly half the beneficiaries receiving Frs 1500-2000 a month. On average the RMI represented just over 80% of a single recipient's net disposable income, compared with 30% for a couple with three or more children — the balance coming from a variety of sources, such as work, family allowance and housing benefit. Just over half the claimants were receiving income from at least one other benefit.

As the Table shows, very few claimants were aged over 60, due to France's *minimum de vieillesse* (or guaranteed minimum pension).

RMI recipients by age group, Dec 91

Age range years	%
< 25	5.1
25-29	25.1
30-34	17.6
35-39	13.3
40-44	12.2
45-49	8.8
50-54	7.8
55-59	6.3
60-64	2.7
65 or over	1.1
	100.00

Source: *The Vanlerenberghe Report*, Documentation Française, Paris 1992, p. 180.

Employers' attitudes

In each of France's 95 *départements* (or local authorities) the *Comité Départemental d'Insertion* tries to work closely with the big employers and other 'economic partners', in an attempt to produce insertion strategies that are streamlined to meet local needs. Regional and local labour markets quite often paint the most vivid pictures of prevailing economic environments. This information is channelled downwards and outwards through the *Comités Locaux d'Insertion*, which are responsible for the micro-economic aspects of the RMI.

Unfortunately many employers tend to regard the RMI as yet another source of cheap labour, and to discard former claimants as soon as they are entitled to a real wage. In order to avoid unscrupulous exploitation of some claimants, further legislation might perhaps improve the RMI by including an 'employment guarantee clause' in the contract (thus making it tripartite between authorities, claimant and employer), if and when the insertion claim is based on a promise of employment.

Easier said than done

Although some of the results look encouraging, in the first two years only around 15% of RMI claimants had managed to conclude their period of insertion with a regular job, which — despite the rhetoric — is the driving force behind this new attempt to give the poorest another chance.[13] The RMI has certainly taken the edge off the daily hardships of a considerable number of people, but the insertion process remains an ideal rather than a reality.[14]

The opinion of many social workers seems to be that despite the ingenuity and originality of the RMI, the problems of poverty and social exclusion remain much the same as before. Consequently the RMI is seen as little more than another political gimmick, which although it solves part of the problem of poverty, manages more than anything else to displace and disguise it.

The social services have insufficient resources to follow up claimants' contracts, as a result of which the RMI has in many cases become yet another form of unilateral assistance. RMI claimants are by nature inconsistent and hard to keep track of — one of the main problems has been providing the homeless with an address — and this, together with meagre back-up by the social services, tends to damage the credibility of the whole contract system.

The RMI is nevertheless still in its infancy and needs taming, because, like so many other forms of help for the poor, it is out of touch with the people it is supposed to help. Many claimants are afraid to design their own *insertion* schedules, in the mistaken belief that the RMI is particularly for the homeless and the unemployed, and they fall into neither category. Results to date do not justify total condemnation of the RMI, but they do raise serious doubts as to its long-term prospects.

Before the March elections the coalition right-wing parties[15] stated that they intended to maintain the RMI, and that every effort would be made to use it solely for insertion purposes. Apparently their aim is to ensure that the RMI does not slip even further, to become just another state handout.[16] Whether this statement was pure demagogy or an election promise that can be fulfilled, provided sufficient back-up resources are given to the social services, remains to be seen. In the meantime the relative advantages of a no-strings-attached *revenu de base* or *allocation universelle* have been toyed with, especially by some of the minority parties. They, of course, have little to lose by such *avant-garde* proposals, but Citizen's Income will give French MPs food for thought, because it is going to become a very tangible issue.

Dr Timothy Whitton is a fellow in the Department of English, University of Caen, Normandy, France. For his research into the RMI he was assisted by Cécile Delarbre, who is responsible for the insertion projects of the mentally handicapped people with whom she works in Limoges, France.

Notes and References

1. See also: Bruno Couder (ATD Fourth World) in BIRG Bulletin No. 6; and Françoise Euvrard, Jérome Lion and Serge Paugam, *The RMI Beneficiaries' Chances of Economic and Social Insertion*, Documents du CERC No. 102, La Documentation Française, 31-37 Quai Voltaire, 75005 Paris, 1991, discussed in BIRG Bulletin No. 15, Books and Papers received.
2. For discussion of the debate about Citizen's Income in France, see: Henri Guitton, *Existence Income and Activity Income*, BIRG Bulletin No. 9; Marc Boeuf, *Solidarity*, BIRG Bulletin No. 13.
3. The law passed on July 29, 1992, stipulates that people under 25 who are expecting children can claim the RMI.
4. See *The National Minimum Wage in France*, Timothy Whitton, Low Pay Unit Review No. 36, Spring 1989, pp 21-22.
5. Institut National de la Statistique et des Études Économiques.
6. Precise statistics are not available. My comment is based on information gleaned from different social services.
7. Community Centre for Social Action.
8. Local Insertion Committee.
9. Family Allowance Office.
10. Regional Insertion Committee. Since July 1992, local authorities have been asked to produce departmental insertion programmes.
11. The Préfet is the link person between local and central government.
12. The RMI is not just a cash benefit, it also provides claimants with free health care. Some receive only the free health care.
13. See *Rapport de la commission présidée par Pierre Vanlerenberghe — Commission Nationale d'Evaluation du Revenu Minimum d'Insertion*, La Documentation Française, 1992, Paris. This report is 835 pages long and analyses the RMI in depth.
14. Extended health care provision has been particularly successful, even if many other aspects of the RMI leave much to be desired.
15. RPR: *Rassemblement pour la république*. UDF: *Union pour la démocratie française*.
16. Interview with Francis Saint-Ellier, RPR-UDF, MP for Calvados.

Citizen's Income, minimum wages, and work sharing

Anne Gray

How might a CI system move on from the very small, transitional Basic Incomes costed by Atkinson,[1] Parker,[2] and Parker and Sutherland,[3] to amounts sufficient to replace National Insurance benefits and/or means-tested Income Support (Britain's safety net of last resort)? In addressing this problem, Anne Gray extends the debate by showing that the process of transition could provide a viable alternative to workfare.

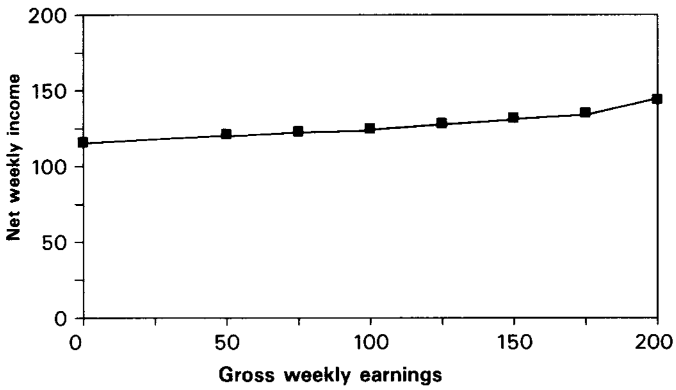
New strands in the British debate about unemployment, poverty and social security call for a response from the Citizen's Income lobby. Government ministers and members of the ruling party are talking about workfare, about privatising unemployment insurance, and about raising the state pension age. Wages councils are to be abolished, and there is talk of reducing the length of time for which unemployment insurance benefit is payable from one year to six months. At the same time, the Labour Party's Commission on Social Justice is looking for new thinking on benefits, on how to reintegrate the unemployed, and how to combat low pay.

What can CI proposals contribute to this debate? If we stand for the interests of the poor, should we be defending the National Insurance principle, or seeking to replace it? Is there a danger that some aspects of CI could be taken out of context, and used to advance an 'anti-poor' agenda?

Disincentive effects of conventional systems

A look at the unemployment and poverty traps in Britain dramatically illustrates the dilemma of existing support systems for the unemployed. In systems where unemployment benefit is designed to replace a reasonable proportion of unskilled workers' full-time earnings, loss of benefit on returning to work is a significant disincentive to taking a job, especially when increased tax liability is also taken into account. But if the replacement ratio is low, protection against poverty may be inadequate. The graph shows that it makes little difference in terms of net weekly income (after deduction of income tax, National Insurance contributions and community charge, and after withdrawal of work-tested and/or means-tested benefits) whether a married man with two children is out of work on Income Support, or in work earning up to £200 a week. On the dole (in 1992) he got just under £109 a week, earning £200 he got £140 a week, but out of the extra £31 he had to pay his travel and other work expenses. It is disincentive effects like these that lead the benefit-paying authority to maintain sanctions against refusal of work or failure to search hard enough — sanctions that are resented by the unemployed.

Poverty and Unemployment Traps, Oct 92, Couple with 2 children aged 4 and 6, £ week



Source: *Citizens Income and Women*, Parker H. ed., CIRG 1993, Table 12.

Can we devise a benefit system that provides better incentives to work without so many sanctions, without reducing the overall level of income maintenance, and without generating a 'dependency culture' amongst *employers*, by paying part of their wage bill for them? Although CI is intended to benefit poor households, some employers might take advantage of the CI to reduce wage rates. To prevent this, a mechanism is necessary that will increase the power of job seekers to turn down low paid jobs.

The case for a legal minimum hourly wage

A national minimum wage would be needed to prevent employers taking advantage of CI. All the European Community (EC) member states, except the UK, have some form of regulation of minimum wages — the current move to abolish wages councils takes Britain out of line. But a statutory minimum wage (as in France or Spain) is difficult to enforce. It would be helpful to have other safeguards as well. This article proposes a system which would build incentives to seek high hourly wages into the income maintenance system, rather than accept low wages backed up by benefits.

Three ways to combat the unemployment trap

In theory, there are three possible solutions to the unemployment trap:

- **Workfare:** obliging the unemployed to join make-work or training programmes as a condition of benefit receipt.
- **Increased penalties:** for unemployed claimants who are not 'actively seeking work', or who prolong their search in the hope of higher wages.
- **Citizens Income**.

As Ralph Howell MP has pointed out, we already have *trainingfare* for 16 and 17 year olds.[4] What he doesn't say, in making the case for a Swedish or Swiss-type system, is that over 100,000 of those 16-17 year olds can't find training places in the present recession,[5] or are homeless and driven to beg. Nor does Howell explain that the special relief jobs provided for the unemployed in Sweden are paid at trade union negotiated rates — not at unusually low rates for the job. Paying wages at less than the market rate is characteristic of workfare programmes in the USA, and Ralph Howell's proposal of £2.50 per hour for relief jobs is lower than the lowest wages council rate of £2.63 in 1992. The real need is to find some way for the unemployed to get jobs at wages that will give them an incentive to work — for with adequate incentives there would be no need for compulsion.

CI could be designed as the antithesis of workfare — helping the unemployed to take part-time jobs in the 'ordinary' labour market. But it would need to be coupled with a minimum wage and certain other features. Otherwise it could encourage employers to pay lower wages, as Family Credit is alleged to do.

Universal Hourly Benefit (UHB)

This article responds to the workfare debate with a new interpretation of the CI concept — with two components:

- **Universal Hourly Benefit (UHB)**, involving the gradual transformation of unemployment benefit and Income Support for the unemployed into CI of a special kind
- **Small, transitional CIs** for all other adults, increasing over time, in line with the rising CI element of unemployment benefit

The UHB would give a relatively strong incentive for the unemployed to take part-time work at a legally enforced minimum hourly wage rate, without removing the incentive for them to take work at a higher hourly rate if they could get it.

Instead of all (or almost all) of an unemployed person's benefit being withdrawn when s/he starts work, a certain percentage would be retained alongside wages as the new CI. Over several years, this percentage could be increased,until the CI element reached 100% of the original Income Support amount. These gradually rising CIs would cover all adults, although the rates might be age-related. Elderly people and people with disabilities would need extra, even at the end of the transition period, and so would the unemployed during the transition period.[6]

The UHB concept is compatible with various solutions for income maintenance of the elderly, people with disabilities and children. Space does not permit detailed treament of these solutions, but it is worth emphasising that the means-testing of benefits for children contributes to the unemployment and poverty traps for their parents, and should be avoided. Child benefit is a form of CI for children, and should be extended. Family Credit,[7] which is means-tested, should gradually be replaced. One-parent benefit is also a form of CI, and could be preserved as an addition to the CIs proposed under a UHB system.

As with most CI proposals, by the end of the transitional period the CI proposed here would be paid to the individual, not the household. During the transitional period, an increasing proportion of the unemployment benefit due to couples would be transformed into a CI, and a rising share of this would be paid directly to the woman. The transition from household-based income maintenance to individual-based income maintenance leads to complex problems of integrating CI with existing benefits initially (as is shown in Hermione Parker's *Citizen's Income and Women* pamphlet).[8]

There are four ways in which the idea of keeping part of unemployment benefit (on return to work) could be implemented:

- By reducing the withdrawal rate of existing benefit
- By increasing the earnings disregards of those claiming benefit as unemployed
- By a combination of the above solutions
- By a combined solution based on benefits per hour (UHB)

By examining all these, I hope to show why UHB is the best:

Option 1: Reduced benefit withdrawal rate. On re-entering full-time work, the unemployed person could keep a percentage of his/her unemployment benefit. This would appear to the unemployed person as a reduction in the tax rate on earnings up to benefit level, say from 100% to 90%. But several reductions of the withdrawal rate in 10% stages would be needed to make much difference to the unemployment trap.

Those already in paid work would receive a tax credit equal to the amount of unemployment benefit retained by those returning to work after a spell of unemployment. In this way, all workers, whether 'ex-unemployed' or not, would receive CI on an equal basis, and under the same scheme. Increased taxes (on higher incomes, or from other sources) would be needed to finance these transfers. Tax allowances would not be scrapped — we shall see why in the discussion of Option 4 later on.

Option 2: New earnings rules. Alternatively, earnings up to a certain money amount — say equivalent to one day's work per week at the minimum wage — could be permitted without any benefit deduction, but above that limit benefit would be withdrawn by £1 for each £1 of earnings. With this proposal, benefit would fall to zero when earnings reached (benefit + x), where 'x' equals the amount of earnings allowed without deduction of benefit. The level of 'x' would be increased year by year, so that eventually there would be a CI equal to the initial level of Income Support.

This solution provides a large incentive to do a small amount of work. But once the no-deductions limit is reached, the benefit withdrawal rate goes up to 100%. The poverty trap is shifted to a higher earnings level, but it is still there. This solution is also very expensive in the longer run. The gradual increase, over several years, in the slice of income that attracts neither taxes nor deductions from benefit leads to a substantial tax-free band of earnings.

How would this proposal compare with the present earnings disregards? In 1992-93 an unemployed person getting National Insurance (NI) unemployment benefit could earn up to £54 per week — losing benefit for any days (except Sunday) on which s/he earned more than £2. For example, if s/he earned £20 on Monday, one-sixth of the weekly benefit would be withdrawn, but s/he losing anything. However, an unemployed person getting Income Support can earn at most £15 per week (if they are lone parents, or couples unemployed at least two years), and only £5 a week in other cases. Above these limits, £1 of Income Support is withdrawn for every £1 of earnings. So the disregards need to be increased much more for those on Income Support than for those on NI benefit.[9]

Option 3: Options 1 and 2 combined. With this approach, the 'no deductions' limit (or earnings disregard) would be smaller than with Option 1, but the benefit withdrawal rate above that limit would be less than 100%. This solution lessens the unemployment trap, and provides more flexibility than Option 2. It permits different combinations of earnings limit and withdrawal rate, producing a variety of ways in which the system could be 'meshed' with existing benefit, in moving towards a CI sufficient to permit abolition of unemployment benefits. To avoid creating such a large tax-free band of earnings as in Option 2, the later stages of transition to a larger CI could be completed by reducing the withdrawal rate, rather than increasing the 'no deductions' limit.

Option 4: Universal Hourly Benefit (UHB). This solution adapts Option 3, in order to relate the benefit amount to the number of hours of unemployment per week. It involves a conceptual division of benefit into 'y' parts, one for each hour of a notional working week. The 'no deductions' limit (or earnings disregard) would become the number of hours (call it 'D') which could be worked without losing any benefit.

Someone working ten hours above the limit would only lose ten hours benefit, whatever the hourly wage. If 'D' was (say) nine, someone working nine hours would lose no benefit; if 'D' was 19 hours they would lose 10 hours' benefit; and if working 'y' hours (and y = 35) they would lose 26 hours benefit.

To bring in the reduced withdrawal rate idea from Option 1, benefit could be given for (say) a maximum of y hours, but the withdrawal rate calculated over y + n hours (where 'n' equals the number of hours over which withdrawal is calculated). Thus one hour's work above the no deductions limit would lead to a deduction of one part in (y + n) instead of one part in y.

> **EXAMPLE OF PROPOSED SYSTEM:** UHB assumed to be £1 per hour; D=9; y=35; n=4
>
> **UHB payable:**
>
> *Unemployed couple:* £1×£35×2 people=£70
>
> *Unemployed single person:* £1×£35=£35
>
> *Couple, man unemployed, woman works 12 hours per week:*
> UHB=£70.
> Since (D×2)=18 hours, they can still claim full benefit of £70
>
> *Couple, man works 40 hours, woman looks after children:*
> UHB=(D+n)×£1×2=£26
>
> *Single person works 14 hours, seeks full-time work:*
> UHB=£35–(D–14) (y/y+n)=£35–(14–9)(35/39)=£30.51
>
> *Couple, each works 11 hours, seeks full-time work:*
> UHB=£70–(22–18)(35/39)=£66.41
>
> **Note**: Families with children would also get child benefit

The UHB system combines a CI with existing unemployment compensation. The CI has two parts:

- The amount of benefit corresponding to 'D' hours
- And the amount of benefit corresponding to 'n' hours

All adults would get a CI of (D + n) times the hourly benefit, even if working full-time, or if inactive for whatever reason (students, carers etc). Over time the withdrawal rate of benefit could be reduced by increasing 'n', so that (y + n) rose from say 39 through 40, 42 etc. (A fuller explanation of these calculations, and some illustrations, are available from the author). Children would get a CI in the form of a higher child benefit; it could be increased *pari passu* with the adults' CI, but in the meantime a higher rate of child benefit would be needed for unemployed and other poor parents.

UHB: WHO WOULD GET WHAT?

Unemployed	CI + unemployment benefit (decreasing as CI grows)
Part-time workers	CI + wages + unemployment benefit for hours of unemployment, for those seeking full-time work
Full-time workers	CI + wages or self-employment income
Lone parents	CI + one-parent benefit + wages and/or income support
Students and trainees	CI + wages if any + unemployment benefit for hours of study, subject to a time limit of (say) 5 years. Possibly lower rates for very young students. Possibly a claw-back from parents' income for under 25s.
Elderly, sick, disabled, and carers	CI + special status benefits
Children and their carers	Child benefit; unwaged carers with working partners would get their own CI; those with unemployed partners would have an increasing proportion of the couple's CI paid directly to them.

Note: Family Credit would be gradually phased out. Housing benefit and Council Tax Benefit would remain. Child benefit would be increased, with a higher rate for unemployed parents.

The proposal envisages a continued, conceptual separation between income tax and benefit withdrawal, with a tax-free band of income (income tax allowance) determined independently of the CI, although there is no reason why a combined tax-and-benefit administration should not deal with both aspects of income adjustment. Some tax-free income (i.e. an income tax allowance) would still be needed, certainly in the transition stage, but possibly at the end of the transition as well. This would depend on the pattern of income redistribution and incentives that seemed desirable. Redistribution is possible from within the personal taxation and benefits 'pot', or through changes in company and indirect taxes, and in other government expenditure.

The tax-benefit authority would register everyone as they reached age 16. Employers would tell the authority what their employees earned, as at present, and would also declare their hours of work. Those not in full-time employment would have to complete a form declaring their earnings and hours regularly, say every three months, and would be required to inform the authorities of any changes. They would be exempt from signing on for work if they had caring responsibilities, or were engaged in full-time training or education, and had not done so for more than (say) five years since age 16, or had worked on average (during the period under review) more than a certain number of hours per week. In order to receive unemployment compensation above the level of the unconditional CI, for the first (D + n) hours of the working week, people working fewer hours would have to prove that they had held a full-time job or left education or ceased to be carers not too long ago, and they would have to keep in touch with a job centre, by signing on. When the CI reached a level at which unemployment benefit could be abolished, the government would save no money by keeping this signing-on requirement. Indeed the administrative costs might outweigh the benefit costs of signing on before this stage was reached.

Effects of UHB on wage rates

Under Option 4, the withdrawal rate of UHB when an unemployed person got a job would depend on the wage rate in the new job. Someone who earned three times as much per hour as the UHB would have a withdrawal rate of 33.3%; someone who earned four times as much as the UHB would have a withdrawal rate of 25%.

This gives people a significantly greater incentive to seek the best wages available than Family Credit, under which claimants lose 70 pence out of every £1 rise in net income. Family Credit encourages low hourly wages; UHB would not. Because Family Credit is only paid to people working at least 16 hours a week, the maximum amount of benefit per hour of work goes to those earning less than £66.60 for 16 hours (1992-93 figures), which is an hourly wage rate of less than £4.20.

By contrast, the UHB would be 'wage neutral'; each person would get a CI (regardless of their work status or wage) plus unemployment compensation dependent on the number of hours per week for which they could not find work. At present, some Family Credit recipients receive more per hour in benefit than they do in wages; but an hourly unemployment benefit of, say, £1 per hour for a notional week of 39 hours (78 hours for couples) might compare with £2.50 or £3 per hour in wages. The proposed UHB is therefore less likely to encourage employers to pay badly.

UHB and work-sharing

UHB would create a major incentive for the unemployed to take part-time work, and for employers to offer it. The possibility of earning up to the 'no deductions' limit without losing any benefit would mean a higher subsidy to part-time wages than full-time wages. Giving employers an incentive to offer part-time jobs is positive insofar as it leads to work-sharing. But it also raises the danger that part-timers do relatively badly in terms of training and promotion, job security, pensions and National Insurance cover. New measures would be needed to secure equal rights for them.

Implementation of the UHB

The different situations of people on National Insurance (NI) unemployment benefit, or Income Support, or Family Credit, and of young people unable to claim anything unless they are on Youth Training, would need to be harmonised towards the best of these situations, that is to say the unemployed person drawing NI unemployment benefit, who can earn up to £54 a week, and parents eligible for Family Credit.

A start could be made by setting a no deductions limit of 9 hours work per person per week (worth £27 each for both claimant and partner if the wage was £3 per hour), in both the Income Support and NI systems. It would be permitted for one partner in a couple to transfer his/her allowance to the other. Family Credit could be phased out and replaced in two ways: firstly, by higher child benefits, and secondly by specific wage top-up schemes (social premia) for selected categories of socially important, low-paid work, for instance care work and hospitals. Some such jobs could be reserved for the long-term unemployed.

An important objective must be to bring back cash benefits for the under 18s, and get as many claimants as possible off means tests. To do this the National Insurance Fund could be augmented by extra contributions from high earned incomes, and the extra money used to give contribution credits to young people, the long-term unemployed and mothers. Income Support would remain important for lone parents, refugees and ex-prisoners. But most other claimants would come out of the ambit of means-testing into the insurance sphere. UHB could then begin to provide a CI built onto the insurance-based system.

Anne Gray is a writer and researcher on employment issues, and has recently been working on a three year programme of research on long-term unemployment for the European Commission. A longer and more international exposition of the UHB proposal is contained in a paper she gave to the BIEN Conference in Paris in 1992, under the title ***Integrating Citizens Income with Social Insurance.***

Notes and References

1. Atkinson, A.B., with Sutherland, H., *Analysis of a Partial Basic Income Scheme*, in *Poverty and Social Security*, Harvester Wheatsheaf, 1989.
2. Parker, H., *Instead of the Dole*, Chapter 20, Routledge 1989.
3. Parker, H., and Sutherland, H., *Child Tax Allowances? A Comparison of Child Benefit, Child Tax Reliefs, and Basic Incomes as Instruments of Family Policy*, STICERD Occasional Paper No. 16, London School of Economics, 1991.
4. Howell, R., *Why not Work?*, Adam Smith Institute, 1992.
5. Mclegan, I., *A Broken Promise: the Failure of Youth Training*, Youthaid/Children's Society, 1992.
6. The transitional proposals considered here are based on ideas outlined by Michael White in *Against Unemployment*, Policy Studies Institute, 1991; and the British Green Party, *Information About the Basic Income Scheme*, 1985. The idea of an hourly benefit owes something to Peter Alcock, *Socialist Security: Where We Should Be Going and Why*, Critical Social Policy, Issue 13, pp 29-48, 1985. However, he sees it as an alternative to CI.
7. Family Credit is a means-tested benefit, payable to lower-paid families with children, where the hours worked are 16 or more a week.
8. Parker, H., ed., *Citizens Income and Women*, Citizens Income Study Centre, 1993.
9. Under National Insurance unemployment benefit regulations, whether claimants earn £3 or £6 an hour, one day's work means losing only one day's benefit, so it is worth looking for a high wage, whereas under the Income Support regulations, it makes no difference to the claimant's income whether s/he earns the disregarded amount in three hours or five.

Citizen's Income in Spain? Una Renta Ciudadano en España?

Luis Ayala

*Spain (population 39 million) has changed dramatically since Franco's death in 1975. Under the new (1978) Constitution, it has 17 autonomous regions — each with its own parliament and government. During the latter part of the 1980s, the Spanish economy grew faster than the European average, but acute social problems remain, especially unemployment. Like Greece, Italy and Portugal, Spain does not have a national social assistance system (cf Britain's Income Support), so there are unemployed people with no right to any state benefit. In all those countries, income guarantees for people without entitlement to social insurance benefits are urgently required — hence their inclusion in the Social Chapter of the Maastricht Treaty. Despite its attractions, a universal citizen's income (***renta ciudadano***) will be difficult to achieve. In Spain even a national, means-tested minimum income (***renta minima***) is barely on the agenda. An EC-sponsored Eurogrant could be the answer.*

Until recently the feasibility of a Citizen's Income (CI) has been a more lively issue in countries with a long tradition of social protection than in countries with less developed systems — perhaps because the latter have more urgent problems to resolve. But now attitudes are changing. In all the welfare states — new as well as old — mounting unemployment, rapid labour-market change, and the ever-increasing number of people at the edges of the labour market, are encouraging a search for new social protection devices.

One result is the arrival of the CI debate in Southern Europe, including Spain. The paradox of intensifying social demands in a small-scale welfare state that is also subject to severe budget constraints, creates a situation favourable to further discussion about the best instrument for the fight against growing unemployment and poverty. In Spain, when the debate about national minimum income policies was at its height, there were some voices arguing about the advantages and limitations of CI.[1] More recently the discussion has lost some of its intensity, but this could change.

Spain during the 1980s

The decade of the 1980s was decisive for the development of the Spanish economy, which became much more open, and achieved higher growth rates than most of its European competitors, thereby narrowing the gap between Spain and Europe's most successful economies. Unfortunately, grave economic and social problems remain.

During the first half of the 1980s the economic crises that affected most Western societies — and the social and economic changes that went with them — had even harder effects in Spain. For they came at a time of political fragility, during the period of transition from dictatorship to the present democratic regime. There were also specific economic problems that made the Spanish economy more vulnerable. The Socialist government's main policy objectives have been increased profitability in the business sector, the control of inflation (in order to keep down wage increases), strict control of the money supply through high interest rates, and labour market liberalisation. As a result, economic policy has taken priority over social policy.

Helped by a favourable international economic situation and a steady inward flow of foreign investment, the Spanish economy grew by an average of 5% a year during the second half of the 1980s. Unfortunately, this growth was not enough to improve the position of people at the bottom of the income distribution as much as is needed. High unemployment (at over 20% of the workforce, one of the highest in the OECD) is the main social problem, with some groups particularly at risk — especially young people, women and the long-term unemployed, many of whom have no social protection of any sort. There is also an increasing proportion of temporary workers (at over one-third of the workforce, it is the highest in the European Community).

The persistence of poverty is evidence that economic growth on its own is not the answer. Despite a fall in the numbers affected by poverty from an estimated 19.7% of households in 1980 to 18.6% in 1990,[2] its level is still too high. New social policy initiatives are required to tackle the problems of high-risk categories like the elderly and the unemployed, those who are poorly educated and whose jobs are precarious, large families, lone-parent families (whose numbers are starting to increase), people living in rural towns, and an increasing number of immigrants.

Spain's welfare state

Partly for historical and partly for political reasons, the main characteristics of the Spanish welfare state are its small size, and (more recently) its territorial decentralisation. By comparison with other European countries Spain's welfare state started late (in the 1960s). Due to the Franco regime, it also lacked democratic consensus. When democracy was restored, the demands of the left-wing parties and trade unions encouraged an increase in social spending. Since the 1970s, the ratio of social spending to GDP has grown continuously, albeit with some slowing down in recent years. Today, at about 20% of Gross Domestic Product, it remains well below the European average of nearly 27%.

The main component of social security expenditure in Spain is old age (43%). One of the most worrying features — in the country with the lowest birth rate in the European Community — is the lack of family allowances (cf Britain's child benefit). All we have are fixed-amount income tax allowances, which are of no help to poor families, who don't pay income tax anyway. Improved family income support, improved unemployment protection, and the introduction of some sort of guaranteed minimum income are the main challenges for the future, once universal health care and education have been introduced.[3]

Unemployment benefit is probably the most controversial issue. At present there is a mixture of contributory and non-contributory (means-tested) provision, but the system is in serious financial difficulties and nearly a third of the unemployed get nothing. Young people are particularly at risk, since the main requirement for benefit is to have worked for at least twelve months.

Another widely debated subject is the development of minimum income policies. Like Greece, Portugal and Italy, Spain has no national safety net. This doesn't mean that no mechanisms exist whereby specified groups can obtain non-contributory benefits. Minimum pensions, unemployment assistance and certain benefits for people with disabilities are available. In 1990 many of these benefits were amalgamated through the Non-Contributory Pensions Act (*Ley de Prestaciones No Contributivas*) — a means-tested benefit programme, which was described at the time as a "milestone in the long-term trend towards social protection for everyone". But the main beneficiaries are only the elderly and disabled people without previous social insurance contributions. There have also been very small improvements in provisions for low-income families with children. Unfortunately most of the new benefits are too low to prevent poverty — the amounts payable are below the poverty line (defined as 50% of national average income), and the first estimates show low take-up rates as well. So the new law may have been a wasted opportunity. If poverty is to be avoided, the Act will have to be revised, and the entitlement regulations will have to be relaxed.

Despite the clear need for a national minimum income, the reform process is being hampered by economic and ideological rigidities — for instance the budget constraints characteristic of recession, and the convergence arrangements for budget deficits under the Maastricht Treaty. For, as Tony Atkinson has pointed out:

> Social programmes spending is under considerable pressure in most member countries: in particular, the need for fiscal rectitude is likely to constrain materially the execution of income redistribution.[4]

Such difficulties are of particular significance in Spain, where there is little chance of increased social security provision at present. Moreover, the limits are not only economic. Paradoxically — despite the fact that Spain's welfare state started many decades after those in the other member states — the ideological debate is similar. Many voices, both academic and political, are calling for privatisation of public services, and reductions in the social budget — especially unemployment benefits. There is also a great aversion to social assistance, on the grounds that it is inefficient and reduces work incentives — as a result of which the entitlement conditions for unemployment benefits have been tightened up.

Minimum income programmes in the regions

Decentralisation as a result of the federal constitution promulgated in 1978 has also affected social policy. Many regions now have their own competences in matters like health, education and the social services, which has encouraged welfare pluralism, and social programmes linked to local requirements.

Since 1989, lack of action on the part of central government has stimulated the introduction of guaranteed minimum income policies at local level — with almost every region developing some sort of programme to combat poverty. In theory these local initiatives are more efficient than national ones, since it is easier to fight exclusion at local level. In practice they have served to reproduce regional inequalities, since central government has not provided the resources necessary to finance the programmes. Instead, each region is expected to be self-financing, resulting in many problems for the poorest regions. Some of the consequent disparities (benefits in some regions are almost twice the rates payable in other regions) are unconstitutional.

The main characteristics of these minimum income programmes are their administrative complexity and the presence of numerous requirements — like a five-year residence test and a means test — which inevitably cause claimants to feel stigmatised. Stigma and lack of publicity about the new benefits are probably the main reasons for low take-up in many regions. These low take-up rates were contrary to expectations. In eight of the regions the minimum income budgets are about to be reduced or frozen.

Minimum income as a transition to Citizen's Income?

These social problems explain the steady pressures for improved social protection, using new mechanisms. Might a Citizens Income help? Is a CI feasible in Spain? Such questions need to be addressed independently of the financing problems associated with CI. A Citizen's Income introduced as part of a wider package, "including improved training and further education, increased and improved child-care provision for working mothers, policies to combat prejudice",[5] as well as policies to tackle housing poverty and lack of community care, could lift Spanish society out of its present lethargy, and restore the social activism of the immediate post-Franco years. Through the introduction of a small but unconditional guarantee of resources, with its implicit recognition of the value of unpaid work, society could be mobilised into action to grant the social rights central to the status of citizenship.

At present this can only happen if it starts at local level. Also, the introduction of a CI would have to be accompanied by a wider set of integration mechanisms. Participation by the trade unions and other voluntary (i.e. non-profit-making) organisations in the management and evaluation of the different local programmes is probably necessary to draw those people into the mainstream of social and economic life, who are at present excluded from it — and also to give them an increasing feeling of citizenship and worth.[6] Unfortunately, so long as means tests are retained, individual autonomy is bound to be limited. Nevertheless, the structure of existing minimum income systems — in the regions — provides excellent vantage points from which to observe and compare their shortcomings and potential.

Paying for it

Two crucial arguments require further analysis: how to finance a Citizen's Income, and its labour-market effects. Usually it is argued that any form of Citizen's Income is a Utopian suggestion in the Mediterranean countries. The short tradition of the welfare state in most of them, coupled with financing problems, make any such reform unlikely. On the other hand, the fact that we are behind Northern Europe in this respect could make the transition to CI easier and faster. For it enables us to learn from the experiences of others. If CI offers an effective instrument in the fight against poverty, as is confirmed by different studies, then logically it is those countries with the highest incidence of poverty who should take most interest in it. On the other hand, to be realistic, it has to be acknowledged that the Mediterranean countries are also those least able to afford CI. In Spain, the structure of personal income tax and the growing opposition to any increase in tax rates, make it particularly difficult to introduce a CI financed by income tax. At present Spain's income tax falls mainly on labour (wage and salary earners being less able to evade or avoid it), therefore a higher rate of income tax would not necessarily redistribute from rich to poor. Other taxes, for instance value added tax (VAT), might also redistribute upwards, since low-income groups spend a larger proportion of their incomes than high-income groups, and save less.

For these reasons, it looks as though the only way to introduce a CI in Spain is through an initiative at European Community level. This would require harmonisation of EC procedures, including reform of the Structural Funds — something that none of the different national authorities seems to have in mind. Only with a much stronger political will and more research into alternative financing methods, like Genet's and Van Parijs' Eurogrant in BIRG Bulletin No. 15,[7] can a wider debate about a European CI become feasible.

Work incentives

Rightly or wrongly, the experience of rural unemployment in Southern Spain has led many people to question the social effects of income maintenance programmes that "encourage idleness". At present, even a partial CI — which in theory is the solution most likely to overcome the problem of work incentives[8] — looks too risky. Radical changes in cultural habits and improvements in education are essential before any reform along CI lines can be undertaken. From the demand side of the labour market, some commentators are worried about employer reactions to an institutionalised safety net. On the one hand, a CI would smooth the way towards a more flexible labour market, which is what Spain's employers' associations have been asking for, for many years. On the other hand, it could make it easier for employers to under-pay (depending on the level of Spain's minimum wage), or to fire workers. In other words, it could make semi-skilled and unskilled workers more vulnerable than at present. Certainly it would accelerate the trend towards dual labour markets, and certainly it would enlarge wage disparities between workers in the primary and secondary segments.

Fortunately, there could also be positive effects. The speedy introduction of technological change during the 1980s produced serious social costs. In Spain, as elsewhere, most of the innovations involved imported goods and materials, since Spain lacks the capacity to produce them. So despite the expansion of telecommunications, electronics and associated hardware industries, the potential advantages of increased employment did not materialise. Labour-saving technologies are a growing threat to many jobs. CI would at least act as a safety net for less qualified workers, especially if it were accompanied by the necessary training programmes. Related to this, CI could also increase the attractiveness of self-employment (one of the few ways to get into paid work at present) by reducing the risk element, and helping to finance the initial period of unprofitable operations.[9]

It will take time

In conclusion, it has to be said that a Citizen's Income — whether full or partial — is unlikely to be introduced in Spain in the near future. The barriers go beyond ideology and financing problems. Profound social changes would be necessary, in the name of greater solidarity. Also it would be essential to achieve a wider consensus about the extension of citizenship rights.

In the meantime, consolidation of existing, minimum income policies in Spain's regions within a national system, but administered at local level, could be the first step towards a new method of income distribution. From that starting point the eventual introduction of an unconditional benefit for every Spanish citizen becomes more feasible.

Luis Ayala teaches applied economics at the University of Castille-La-Mancha. At present he is also studying for a PhD thesis on the introduction of a national minimum income in Spain.

Notes and References

1. Of the few works about guaranteed incomes written in Spain, most were published when the debate about regional minimum income policies was at its height, i.e. at the end of the 1980s. The main protagonists were some of the regional governments, the trade unions and the Church. The basic references are: Caritas, *Renta Minima y Salario Ciudadano*, Documentación Social, No. 78, Madrid, 1990.
   Martinez, F.J., et al, *Una Via Capitalista al Comunismo: El Salario Social Garantizado,* Fundación de Investigaciones Marxistas, Madrid, 1991.
   Rojo, E., and Garcia-Nieto, J.N., *Renta Minima Garantizada y Salario Ciudadano,* Christianisme i Justicia, Barcelona, 1989.
2. Poverty line defined as 50% of national, average, equivalised expenditure: Ayala, L., Martinez, R., Ruiz-Huerta, J., *La Pobreza y Desigualdad en España desde una Perspectiva Internacional,* Instituto de Estudios Fiscales, Madrid (forthcoming).
3. Rodriguez Cabrere, G., *Entre la Protección Social y el Bienestar Social,* in AA.VV: *Reflexiones Sobre Politica Económica,* Editorial Popular, Madrid, 1990.
4. Atkinson, A.B., *Towards a European Social Safety Net?,* Discussion Paper WSP/78, STICERD, London School of Economics, 1991, p.14.
5. Parker, H. (ed), *Basic Income and the Labour Market,* BIRG Discussion Paper No. 1, 1991, p. vii, (available from the Citizen's Income Study Centre, c/o London School of Economics).
6. Jordan, B., *Basic Income and the Common Good,* in Van Parijs, P., (ed), *Arguing for Basic Income,* Verso, London, 1992, p. 172.
7. Genet, M., and Van Parijs, P., *Eurogrant,* in BIRG Bulletin No. 15, 1992 (available from Citizen's Income Study Centre, c/o London School of Economics).
8. Parker, H., *Instead of the Dole: An Enquiry into Integration of the Tax and Benefit Systems,* Routledge, 1989.
9. Atkinson, A.B., *The Social Safety Net,* Discussion Paper WSP/66, STICERD, London School of Economics, 1991, p. 12.

Citizen capital: why children must come first

Beresford Hayward

The social programmes of the Commission of the European Communities aim for a Europe — unique in the history of the industrialised world — in which economic efficiency would be used to sustain social well-being, shared by all. This article arises from an exercise within the Commission to increase the coherence and impact of those programmes.[1] For although Europe invented the welfare state, even its most effective national systems seem unable to solve current problems. Beresford Hayward proposes a strategy to tackle poverty and exclusion, based on the development of Citizen Capital throughout the European Community (EC). Future social programmes of the Commission would be evaluated according to the contribution each made to the exercise of a basic Citizen Right — for all the people of Europe — to develop their full potential. Of course the success of such programmes would depend upon whether the same goal also guided the economy.

The drive for a single market is Europe's response to the irrepressible forces of modern market economies — huge agglomerations of capital, revolutionary advances in the technologies of communication and transport, and globalisation of the world economy. Together these form a complex inter-weaving of national economies, trading blocs and multi-nationals in which Europe is inextricably involved. What gives the European Community its special significance is the long-term aim to use the common market to achieve a new level of European civilisation.

The Social Charter of Fundamental Workers' Rights[2] — to protect workers' pay, working conditions and other rights — can be correctly viewed as a necessary contribution to economic efficiency. But the Commission's programmes taken as a whole address the wider question of how best to use Europe's increased productivity to bring about a new European Community — sustainable in the long run, multi-cultural and multi-lingual, but sharing common democratic and human values and common social outcomes.

To do this the Commission's programmes need to be based on an agreed perspective for Europe's long-term social future — without, however, trying to lay down a blue-print for it. The perspective proposed here begins by explaining the underlying human and social values of the Commission's programmes, and then explores the practical implications of those values in the light of current circumstances.

Every human being is important

The social programmes of the Commission share a common concern for people identified as vulnerable: the handicapped, the poor, immigrants, minorities, women, children, the homeless, the aged, populations living in depressed areas, the unemployed and the under-educated. In addressing the needs of vulnerable people, the programmes thus share a fundamental moral value, namely the worth and importance of every human being — without exception — whatever his or her condition, and regardless of his or her past, current or potential economic contribution.

Programmes for the physically and mentally handicapped show this value in action — the aim being to assure the quality of life of each handicapped individual, and to remove barriers to participation in main-stream society. Society as a whole may also benefit, but the predominant value is the assurance of a decent life for people with disabilities. And the same objective can be applied to immigrant children, single mothers, women suffering social inequities, or long-term unemployed men and their families.

For political purposes it is important that this underlying human value be made explicit. It provides the clearest possible road for policy making, promising a unity and coherence of direction, upon which the social programmes of the Commission can proceed.

Vulnerable groups

In 1991, the Paris-based, Organisation for Economic Co-operation and Development (OECD) observed:

> By the beginning of the 1990s, average real income per head in the OECD area was broadly 25% higher than it had been ten years earlier. The coming decade could well bring a comparable advance ... At the same time, concerns remain about the persistence of a number of social problems and the possible emergence of others. Although continuing economic progress will have positive effects here as elsewhere, these need to be directly addressed.
>
> The main problems include long-term unemployment; educational failure; poverty and deprivation in particular social groups; urban and rural decay; population ageing; and international migration. It will be evident that these are complex and in some cases interrelated phenomena; that in some cases both causes and ways of influencing them are not well understood [OECD, *Economic Outlook, 17th June, 1991*].

The OECD expects continuing high levels of unemployment. For the most part, the growing wealth of Europe has not diminished, and has sometimes augmented, the vulnerability of the groups identified in the programmes of the Commission. For instance, during the record economic growth of the 1980s, an estimated 6 million more people were added to the 38 million already living in relative poverty, according to national standards of the member states.

For the Commission, the key question is: *how can Europe's growing economy and wealth be used to reduce major social problems?* At present the Commission supports and organises networks, pilot projects and research, and tries to encourage good practice throughout the Community. Its publications represent a wide array of programmes and activities under one umbrella. But that is not enough. Without a strategy for reversal of Europe's social malaise, such programmes will lose their dynamism and lead to cynicism.

Towards an EC social policy

The social programmes of the European Community should continue to move along two fronts, and add a third. They should go on helping people in need, alleviating their predicaments and suffering, and fostering their development; they should increasingly confront the conditions that cause or aggravate their vulnerability; and they should bring these two fronts together, leading to agreement on the social and economic changes necessary for progress to be made.

Commitment to an EC social policy along these lines would introduce more realism into policy making and the assessment of progress. Economic and social developments need to be assessed together. For example, the 25% increase in average per capita incomes during the 1980s needs to be balanced against the enormous future costs of adverse social developments. Those costs include spoilage of the environment, long-term unemployment, children in poverty, the growth of the drug market, and ethnic and racial strife. Human and social costs, some of which are likely to multiply with time (a neglected child can become a costly delinquent or unproductive adult) can negate much of the economic progress.

This approach tends to move social policy towards the centre of public policy making — where it rightly belongs. For the Commission this would merely accelerate an already established trend, but it would also change the priorities of policy making. So far, within the EC, the market has come first. For example, the purpose of the social 'safety net' has been to rescue those who happen to fall out of the market and send them back as soon as possible — affecting the market as little as possible. By contrast, if social outcomes were given priority, social and human issues would become the fundamental ones, and social policy would be brought directly into the workings of the market.

The aim is to bring about a human, social and cultural legitimisation of the market economy. Of critical importance, in this context, is the search for a realistic assessment of economic performance — stripped of idealisations — so that social costs and social gains are also taken into account. The problem is that market efficiency (measured in terms of economic growth and financial profitability) tells us nothing about the social and human ends being served. Industries that rely on child labour, at abominable wages, and the growing European market for cocaine and other drugs, may be efficient market operations, but their human costs are unacceptable. The widespread presence (and acceptance) of 'black', unregistered labour in the construction industry, the shortage of low-cost housing (especially for the young), the hardships of agricultural workers and their families, are all instances of market forces at work.

Citizen capital

As explained, the human value underlying the social programmes of the Commission is the importance of every human being, without exception, and the commitment to help each individual develop his or her full potential. The proposal here is to put this value forward as the main basis for the social programmes of the Commission. Commitment to this value can also be expressed in terms of a basic 'right', owed to each member of the Community, to be an equal citizen. The social programmes of the Commission should be assessed in terms of their contribution to the exercise of a *Citizen's Right to Development* — for all the people of the Community — and the development achieved by each individual citizen would count as *Citizen Capital*. This citizen capital would carry with it potentials for and responsibilities to society, as well as citizen rights. It would represent the potential of the individual not only in the economy, but in all other spheres of life as well.

The universal development of citizen capital should be the goal of the social programmes of the Commission.

Thinking long-term

The development of citizen capital is a long-term strategy, requiring long-term perspectives. Social progress requires an increase in citizen capital. So we have to study the processes of human development, and we have to understand how those processes can be fostered.

Each of us begins life as a baby, whose development is nurtured through to adulthood by a parental generation — repeating, of course, its own cycle of experience. What then could be the most fundamental mark of long-term, social progress? Briefly stated, social progress would mean that each generation of children would be developed to states of mental maturity and adulthood at least marginally superior to those of their parents' generation.

This is a practical, universal and unifying concept. So let us define the main social, cultural and economic factors relating to children and youth (and to their adult carers and educators) that would be involved in such inter-generational progress. A research programme can be envisaged to study the impacts of different policies, and the indicators of progress defined in this way. But enough is already known to set out the guiding concepts.

Women and children first

The only practical starting point for the sustained development of citizen capital is children — which also requires women's development, and policies to strengthen family life.

In modern societies, women's development and the achievement of equality and equity is the first requirement for any sustained advance in the quality of life and development of their children. At present, because labour markets are still largely structured around the old traditions of male supremacy, women's advancement tends to be at the expense of women's other legitimate needs. Most women marry and have children, and attentive mothers are essential for the favourable development of children. In theory this need not bar women from equality in education, careers or pay. Experience in many countries shows that good childcare services can meet women's development needs as well as their need to take care of their children. In practice, however, because those facilities are often absent, it seldom works out that way.

The institutional, social and cultural changes required for women's equality are also essential for child development. The gulf between the ideal and the reality is shown by the fact that women, especially lone parents, are still disproportionately at risk of poverty. This is a grievous waste of women's lives — and of their development as citizen capital — and it is also a gratuitous punishment imposed on the development of their children. Income maintenance for child-caring mothers — housing support, childcare services, re-training and labour market services for lone mothers — are programmes that should be standard throughout Europe. Additionally, greater equality for women could help change the conditions of lone-parent women in the first place.

Women need time for their children that is not truncated by threats to their income or careers outside the home. The institutional and economic changes required to achieve this are not beyond the resources of modern economies. For example, the status of much part-time and 'atypical' work could be upgraded towards the levels of pay, promotion and social protection that go with full-time work.

It is obvious that a large part of the changes required for women involve profound changes for men. Male dominance tends to disguise men's own lack of balanced growth. The often cited need for men to share the housework really stands for a more far-reaching change in men's prevailing states of mind — their willingness to change society's male-dominated institutions, open them to women, and adopt more democratic modes. Men today will only make significant progress in the light of that made by women; and as parents men and women must combine their own development needs with a deeper effort to understand those of their children.

Within this framework it must be recognised that women make the unique contribution of being the first nourishers of everyone before and after birth. They therefore respond to a human vulnerability that is universal, and they establish the model for the caring function in human life. Women's development is therefore the key-stone for the construction of citizen capital.

The family: fundamental source of citizen capital

The prime function of the family is the development of citizen capital, that is to say, child development. Focus on the family, as the basic factor in child development, is apparently on firm political ground in the Community. As the European Observatory on the Family concluded:

> It would appear that there is a political consensus in the twelve Member States on one point: the pre-eminent and irreplaceable role of the family in the child's upbringing. [*Families and Policies, Evolutions and Trends in 1988-89,* C.E.W.C., DG V, p 80]

In families, parents (with their strengths and weaknesses) are the basic influence and resource for children's development, especially their mental development from babyhood onwards. All children acquire, within their families, one or another mode of learning. They 'learn to learn' in a way that either enables or limits all further learning. Moreover, the capacity and character for life-long learning is today more essential than ever before.

Communities, economics and other factors deeply interact with this fundamental family process, from which it follows that policy in these fields should be geared to family outcomes, particularly outcomes for the young.

The aged and citizen capital

This emphasis on children should not be seen as a narrow, demographic bias, but as a strategic focus for a 'total' social policy perspective. The well-being of children is multi-generational, and in this regard, as well as many others, the welfare of the aged is vital. Parents' care of their children is never divorced from how they care for their own parents, and a struggle on behalf of children by a parental generation rests on the depth of its appreciation of the previous one.

The economics of citizen capital

A policy of maximum investment in citizen capital, beginning with children, is feasible and appropriate in the capital-rich economies of the EC. In economic terms it is hard to justify any other approach, since Europe's increasingly technological economies will have little use for an under-developed labour force. However, this raises broader questions: for example, what economic policies are required to support the development of economically competent people? A well-defined social goal requires economic policies that define strategies and assess outcomes in terms of actual social results.

The performance of Europe's economy is increasingly assessed according to its social outcomes. The desired outcome, now widely acknowledged in the Community, is a life of participation, security and common identity for all Europe's peoples, embracing a dozen or more nations, and several score of ethnic cultures and histories. The interdependence of modern societies means that no minority can be excluded from this future. This is evident when we look at the impact of neglect on some people today — loss of productivity, rapid growth of social problems and degrading social pathologies. The multiplying costs of neglect are then fed back into society, including the younger generation, as a grim negative investment. By contrast, the perspective offered here is for investment in a highly developed citizenry — with no minorities excluded — which would become the driving force for the new Europe.

Poverty relief, or investment in people?

The inefficiencies and discontinuities that hold back economic growth are most evident in human terms — human failure and suffering. Unfortunately, when people ask how best to deal with them, the standard answer is 'welfare', with welfare perceived as something which is taken out of and lost to the economy — something that is likely to become 'too expensive' even for the most advanced economies.

The difficulty is that we pose the wrong questions. Instead of asking: *How much social welfare can the economy afford?*, we should be asking: *What level of investment is required to maximise citizen capital?* In that way, by changing concepts, welfare provision could be largely supplanted by investment in citizen capital. Naturally it will be expensive. But the returns from 'turning out' a child as a mature, functioning adult are incalculable, as are the costs of *not* investing in children — costs that multiply as this 'negative investment' matures. Large, new investments in citizen capital are more correctly seen as a major redirection of society's investment funds. Moreover, such investment — investment in children — creates extensive new markets.

This is nothing new, since governments are already engaged in the creation of markets — for instance defence (decreasingly), the infra-structure, and the environment (increasingly). Investment in programmes contributing to the development of all Europe's children would create extensive new markets. The opportunities presented by those markets need to be explored, but at the end of the day the outcome would be the most long-lasting and productive form of capital: citizen capital.

A redirection of investment toward children should become the main perspective behind the Commission's social action programmes. For there are no economic reasons, only political ones, for allowing whole sectors of the European child population to remain in poverty — as is now the case. Instead the Commission needs first to identify the children in poverty, and then to establish time-tables for its eradication, using several strategies to achieve that end. Many relevant strategies have been explored in programmes supported by the Commission. But each comes to rest on the fact that only sufficient investment in the poor children of Europe can eliminate their poverty.

Citizen's income

If children are to be Europe's first priority, the income of children cannot be allowed to depend entirely on the market. A basic standard of living, providing a reasonable level of dignity and security, and freeing parents from stress, is of critical importance to the way parents support their children's development.

A commitment to assure the income of children is likely to require some form of Citizen's Income. This can be provided in a number of ways, as is shown by measures in this direction in some member states (for example child benefit), and by a growing body of scholarship, that should now be given close attention and support.[3] Also, it is worth noting that it is only in those countries that have generous and universal child support programmes (like Sweden and France) that lone-parent families headed by women are not largely in poverty. These cases illustrate that when a basic income is assured, people — like lone mothers — are more likely to take paid work.[4]

There can be no doubt that a commitment to all children — that is, to families for the development of their children to an effective adulthood — cannot be implemented unless the long-term trends in Europe towards guaranteed incomes are further strengthened. People caring for children need sufficient income to be able to carry out this task, whether or not they are able to earn that income.

The citizen's right to development can be implemented in terms of the right to a job, training, access to the labour market, relocation and health services, and affordable housing — although these must be matched by the citizen's responsibility to work at available jobs under reasonable and democratically determined conditions. The solution, therefore, is an active family policy that assures income security *plus* an active labour-market programme that assures access to wages.

Education

The level of commitment to citizen capital proposed here transforms existing perspectives on education and the importance of schools. Schools link childhood in the family to adulthood in the world of work and further education. They are a key institution in what is always a joint process — along with the family and the community — of providing an environment in which a child slowly, even painfully, may become a competent, functioning woman or man. The essence of this process is that citizen capital is synonymous with the development of people's minds, especially young people.

Great changes are necessary in the way education is conceived and schools operate. Most important would be to form new partnerships between parents and schools, and between schools and the adult world — together creating a renewed adult framework for children's development.

The family-school partnership should begin with the recognition that school is an extension of children's development that begins and continues within the family. Moreover, since each child's further educability is established starting from day one in early childhood, whatever help is necessary to the family and other pre-school care-takers should be a first priority and the starting point in the family-education partnership.

This partnership should also include:

- Recognition of and support for the fundamental role of the parents, especially parents in paid work.
- The educational establishment (teachers and others) sharing its understanding of education with the public, particularly with parents.
- Childcare facilities for youngsters whose parents are of necessity absent after school hours.
- Respect, shown in practical ways, for children's different family cultures (the vital source of the children's original learning and identity).
- Teacher-parent alliances continued in appropriate ways into adolescence.

Partnerships between schools and the world of work and further education should be the second half of the renewed adult framework for young people. Learning to work, and having that work accepted by the adult world, is a most important experience — more important than sex — leading to lasting maturity. Schools should maintain practical connections with the worlds of work, higher education, science and culture — be open to their influences, and make use of them for youth activities, jobs, training, enterprise, 'sandwich' courses and scholarship. Such connections would facilitate the leading feature of this new system, in which 'drop-outs' would not be tolerated, the young people either moving on to more training or scholarship, or to entrance jobs (monitored and not excluding further education).

Finally, just as children bring into school their own, early, psychic growth in the family, so also the school needs its psychological core curriculum, preparing the young for their coming adulthood by fostering the desire and ability to continue learning, and the capacity to learn from experience. In this way the present strange insularity of Europe's schools would cease, and their indispensable role in the development of citizen capital would be emphasised. But to succeed, today's vast under-funding of education must be reversed.

A youth guarantee

This new model of education is based on the assumption that education to bring young people to maturity and adulthood would be completed in an adult world that included practical bases for their full participation in that world. No young person should be excluded from the experience required for adult maturity, namely, participation in the world of adult work. Youth income should not depend on parental income, but on earnings from readily available work or subsidised training.

The term *youth guarantee* was used in the OECD some years ago. The high levels of young people without either work or training in most countries today is an indefensible waste of resources and people's lives. In the new Europe, the term *youth unemployment* should become an anachronism.

Local communities

Programmes to support young people, involving family, school and work, can only be implemented in the communities in which they actually live. The Commission and other organisations (most recently Cambridge Econometrics[5]) have mapped the broad areas of economic privation in Europe. And the Commission has an extensive programme of transferring Community funds to identified poor regions, mostly in southern Europe and Ireland.

Most of the vulnerable population groups identified in the social action programmes of the Commission are concentrated in local communities in diverse settings, ranging from urban inner-city and suburban to rural areas. Each is marked by its own history, character, local functions and future prospects, but the question here is the extent to which it is conducive to the favourable mental and social development of children and young people, and is viable for their families? Also, what programmes and plans are there for visible change, what signs of progress or hope?

Many communities suffer from a backlog of neglect, with concentrations of long-term unemployed or other marginalised people, or burdened with drugs or criminal socialisation. Other regions have been drained of resources, both natural and social. So a further question is: are sufficient new resources coming in to make a difference? And how do those resources add up in terms of self-help, social networks and economic activity? A rejuvenating community in which people participate and experience progress can be the best place for the development of the young. The Commission should therefore ensure that no such community is excluded from systematic assistance along these lines.

The road to hell or paradise?

No proposal is meaningful that disregards problems of implementation. The barriers to the formation of citizen capital are formidable, but the consequences, if those barriers are not surmounted, are catastrophic. They are:

- The successful marketing of addictions, including drugs
- Economic and social poverty in countries outside the EC, especially to the East and South
- Racial and ethnic exclusion, and hatred.

Drugs are only one, the most dramatic, of the addictions currently being marketed with increasing success in modern societies. Though part of human nature, addictive behaviour is directly opposite to, and destructive of, mental development, and thus of citizen capital. Second, if the rich world cannot mount a sufficient economic programme in poor countries to reduce migration pressures, this will aggravate today's persistent trend towards racial and ethnic exclusion and hatred. And if this trend prevails — the danger of which cannot be overstated — it will kill any hope of the universal development of citizen capital in Europe.

A single, unifying criterion

The development of citizen capital offers a single, unifying criterion for social progress in the European Community. This criterion is the improved status and condition of Europe's children and young people, and the social and economic programmes responsible for bringing about change. The logic behind this approach is to enable every European, in due course, to achieve full maturity and productive adulthood. It therefore has the merit of directness and appeal. It could promote new thinking in leading circles in the Commission, as they work with it, and in turn they could use it to help transform public thinking. It could also become the pivotal factor in Europe's future — as a sustainable economy and a humane society, that reaches out positively to the rest of the world.

Beresford Hayward is a consultant to the Commission of the European Communities. A second-generation American, with roots in Jamaica and Norway, he has lived and worked in Paris for thirty years. From 1962-86 he was principal administrator for social and educational policy, planning and the review of national educational policies, and counsellor in the Centre for Educational Research and Innovation, at the OECD in Paris. Previously (1958-62) he was the first educational planner for the Commonwealth government in Puerto Rico.

Notes and References

1. *The Formation of Citizen Capital,* Interim Report for the European Commission (DG-V), *Project for the Development of a Global Approach to the Social Action Programmes of the Commission of the European Community.*
2. Or Social Chapter (within the Treaty of Maastricht).
3. Parker, H., ed., (1) *Basic Income and the Labour Market,* BIRG, 1991; (2) *Citizen's Income and Women,* CIRG, 1993.
4. Kammerman, A.J., and Kahn S.B., *Income Maintenance from a Family Policy Perspective,* Columbia University 1981; and *Income of Single-Parent Families in Nine Countries,* Columbia University 1982.
5. Cambridge Econometrics, Covent Garden, Cambridge, UK.

At Home and Abroad

We rely on readers to keep us informed about events concerning Basic or Citizen's Income world-wide. If you know of something that may be relevant, please write to the Editor, c/o The Citizens Income Study Centre.

Canada

No hope for a Citizen's Income?

Derek Hum and Wayne Simpson write: In January 1993, Canada replaced its popular Family Allowance programme (see BIRG Bulletin No. 15) with a new Child Tax Benefit (CTB). Previously, in addition to Family Allowance (which gave every child under 18 an unconditional monthly payment, regardless of parental income) low-income families got a Refundable Child Tax Credit (i.e. a tax allowance that converted into cash if the family's tax liability was less than the RCTC); and tax-paying families got a Non-Refundable Tax Credit. Now all three provisions have been swept aside as part of the current government's attack on child poverty. In doing so, the prospects of a CI in Canada are severely diminished.

The current initiative can be viewed from a variety of perspectives. Given the meagre state of the government's finances, some people view the new system as a re-packaging of existing expenditures, which will do little to combat growing child poverty. Others see it as a first step towards greater integration of the tax and benefit systems — and the first, tentative step (albeit unconscious) towards a guaranteed annual income for families with children, delivered as a Negative Income Tax (NIT).

The new programme will mail a single monthly cheque to all eligible families. The cheque amount is calculated as follows:

- A basic amount, calculated according to the family's size
- An earned-income supplement, for families in paid work
- A tax back or benefit reduction, based on the family's income.

The cheque will be delivered through the relative anonymity of the income tax system, a hallmark long sought by those who oppose traditional social assistance, for its alleged invasion of privacy and the stigma it involves.

It will be paid to whichever parent claims the child as a dependent on the income tax form.

On a cursory examination, it is hard to see how the CTB's basic structure differs from a NIT. Stripped to its essential, every family with children receives a payment based on the formula. P = D - R + WS, where P is the payment, D is the demogrant and depends on the number and ages of the children, R is the reduction or claw-back formula, and WS is the wage supplement. Clawback is achieved by applying a higher tax rate to that portion of a family's income which exceeds a certain threshold amount (defined according to the number and ages of the children). What makes the new system innovatory.

is the wage-supplement (WS) formula. Families whose earnings are low receive this supplement, which is capped at an annual amount of $500 per family, or roughly $41 per month — i.e. less than $10 a week. Given that this $10 is the maximum, one is naturally led to ask if it would not have been easier to fold in the WS with the demogrant portion (D) and do away with the complications of the WS.

Why didn't the government do this? One explanation might be that the distinction between family income (poor families) and family earnings (working poor families) is an important one. The argument would go something like this. Financial constraints and the federal deficit currently limit what the government can do, but neither the principle nor the need to help children in poverty should be denied to working parents. Better now to put the appropriate structure in place and increase benefits later, when funding permits.

Such an interpretation reveals society's concern with possible work disincentives among low income Canadians, a perennial controversy. The WS portion helps to assuage fears that valuable tax dollars are going to the idle. But this interpretation represents a significant retreat from the notion of a Citizens Income.

Until January 1993, it was possible to argue that the most effective way to introduce a guaranteed income for all Canadians was to introduce some form of demogrant for the 19-64 age group. Up to age 18 there was the Family Allowance, and from age 65 there was (and still is) the residence-based Old Age Security (OAS). Now, with the loss of the Family Allowance, the prospects of achieving a Citizens Income by this route are dim.

Central and Eastern Europe

Spreading The Message

Lesley Abdela writes: Since September 1992, I have been the UK consultant to Harvard University's Project Liberty, itself established in Autumn 1990 with the goal of helping newly elected leaders of East/Central Europe build stable, pluralistic democracies and create an environment for economic growth. In March 1993, I visited Central Europe, taking along several dozen copies of *Citizen's Income and Women*, edited by Hermione Parker. It received an incredibly enthusiastic welcome from women and men — thirsty for new ideas to discuss on future social policies — in the economics departments of universities in Brno, Prague and Budapest.

Taking BIRG's Discussion Paper along was really timely, because it may start to overcome the dangerously naive view — all too widespread in Eastern and Central Europe — that anything connected with welfare support systems is 'Communist' and needs to be chucked out — since 'the real market will take care of everything.' Clearly, Thatcherism raw in tooth and claw is having an overwhelming impact! The baby is literally being thrown out with the bath water, as public sector childcare, pensions etc are cut back.

The Discussion Paper can also help overcome the equally simplistic view that the West functions perfectly, and is the ideal prototype for the new economies. The situation in the Central European economic communities is both urgent and alarming. It would be of inestimable value if BIRG/CIRG could make widespread contact throughout Eastern and Central Europe, and organise policy discussion groups in that part of the world, starting with a major conference in, say, Budapest or Bucharest. Even as a learning process and crucible for our Citizens' concepts it would be well worth the time, energy, imagination and commitment such undertakings require.

United Kingdom

1. BIRG 1992 Annual Conference

Susan Raven writes: BIRG's annual conference at Toynbee Hall, on 3rd July, was chaired by Baroness Seear, who said that all welfare policies were now up for reconsideration, therefore it was important for BIRG to have the pro-BI arguments ready to make the case for it. Invited speakers included Ralph Howell MP, Tony Lloyd MP, Robbie Gilbert of the CBI, Ken Mayhew (former Economic Director of the National Economic Development Office), Andrew Dilnot (Director of the Institute for Fiscal Studies), Holly Sutherland (London School of Economics), Jane Millar (Bath University), and John Willman (Financial Times). The main topics were the unit of assessment (should it be the individual or the family?), workfare as a remedy for unemployment, and the compatibility of a national minimum wage with BI. The day concluded with a number of lively workshops, after which there was general agreement that no BI could be high enough to include housing, and that finance needed more discussion. Proceedings were brought to a close by BIRG's Director, Malcolm Torry.

2. Beveridge Conference in York

Hermione Parker writes: In September 1992, York University hosted a major international conference (over 450 delegates from some 40 countries) to mark the 50th anniversary of the publication of the Beveridge Report. Kevin Donnelly attended, bringing with him an array of BIRG and related publications. Hermione Parker contributed a major paper with the title *Onwards from Beveridge: Labour-market effects of work-tested benefits, and their replacement by Citizens' Incomes* — to which she spoke at a well-attended parallel session. The most striking impression she brought away from the conference was the huge gender gap between the social security needs of men and women, and the extent to which the debate is dominated by men.

3. BIRG St George's House Consulation

Susan Raven writes: On 29-30th October 1992, BIRG held an ambitious overnight seminar at St George's House, Windsor Castle, for an invited group of 30 politicians, economists, trade unionists, academics, sociologists and administrators — including Alistair Burt MP (Parliamentary Under-Secretary of State at the Department of Social Security), and Donald Dewar MP (Labour's shadow Secretary of State for Social Security). The theme of the consultation was *A Citizen's Europe and a Citizen's Income*, and addresses were given (in the following order) by: Malcolm Torry, Hermione Parker, Bill Jordan, Walter Van Trier (who came specially from Belgium), Michael Welsh MEP, Professor Ronald Dore (London School of Economics), John Edmonds (General

Secretary of the General, Municipal and Boilermakers Union), and Richard Exell (Trades Union Congress). Evelyn McEwen (Age Concern and Chairman of BIRG's Board of Trustees) took the chair on the first day; and the Very Rev'd Patrick Mitchell (Dean of St George's) took the chair on the second day. Others who contributed included Geoffrey Hubbard (Rowntree Charitable Trust), Chris Pond (Low Pay Unit), June Bridgeman (Equal Opportunities Comission), John Philpott (Employment Institute), and Sheila Diplock (Fawcett Society). A full report of the event is available from the Citizen's Income Study Centre.

4. 'Beyond Beveridge' seminar at University of Surrey

Andrew Simpson writes: In November 92, Hermione Parker gave a seminar entitled *Beyond Beveridge* to the Sociology Department at the University of Surrey in Guildford. The seminar was attended by about 40 members of staff, research students and undergraduates from both the Sociology and Economics departments. As the title suggests, it analysed the current system of state benefits, pointed out the strengths and weaknesses of Beveridge's proposals, provided an introduction to the concept of a Citizen's Income, and illustrated the viability of such a scheme by comparing actual financing figures with projected ones. The seminar was well received, aroused much interest, and prompted a series of questions from the audience. There was great demand for further information about the Basic Income Research Group, indeed demand outstripped supply, until the arrival of further information from BIRG's Head Office a few days later.

5. Fabian Society New Year Conference, 8-10th January 93

Susan Raven writes: Although not specifically invited, BIRG/CIRG fielded a presence at the Fabian Society's stimulating two-day debate in Oxford, on *The Future of the Welfare State: Agenda for the Social Justice Commission.* Evelyn McEwen, Bill Jordan and Hans Breitenbach participated verbally, and other CIRG members attended. Speakers and chairmen included several Labour MPs (Donald Dewar, Frank Field, Tessa Jowell and Malcolm Wicks). Members of the Commission for Social Justice present were Sir Gordon Borrie, Patricia Hewitt (IPPR), Professor Ruth Lister, Margaret Webb (COHSE) and Steven Webb (IFS).

David Green (Institute of Economic Affairs) and Anna Coote (IPPR) opened with a debate on *Who Needs Social Justice?* David Green appealed for *necessity audits* of welfare provision — was it necessary, did it enhance liberty, could a better service be provided privately? He felt that practical help was better than aims-giving, and argued for adoption in the UK of the workfare system operated in New York state.

Anna Coote said that social justice was subject to continuing negotiation. Mrs Thatcher, for instance, was prepared to prevent people starving to death in the streets — but was not prepared to prevent them living in the streets. In Anna Coote's view, the pursuit of social justice must be a collective activity, provided by collective institutions. A one-third/two-thirds society produces ghettos. She hoped that social security would not dominate the Commission's work. An active labour-market strategy is the primary need: we must talk about different full employment models, including flexible working and changing life-time working patterns — what feminists have been saying for twenty years. She would prefer to go to childcare rather than child benefit, on the grounds that it would be a better investment.

The first debate on the Saturday, *The Redistributive Dilemma*, was opened by Stewart Lansley, who said the signs were not good that Labour could win next time and put their preferred programme into practice. The emergence of affluence had led to antagonism against higher taxes, at the expense of commitment to the poor. The aspirations of that third of the electorate who had moved out of relative poverty had shifted upwards, and the welfare state seemed a threat to their new living standards. Labour could appeal to altruism (which hadn't worked at the last election) — or to self-interest, fear of turbulence, crime, etc — or cut benefits and do something about unemployment.

A particularly interesting contribution came from Deborah Mattison, reporting on Fabian Society research during summer 1992 into the reasons why marginal seats had swung to the Conservatives. Crucial voters, whose upward mobility was symbolised by home ownership, were better off than ten years ago, but less well off than five years ago: they were fearful of their new status, and had a strong self-preservation instinct. They considered the phrase *We need a fairer society* ridiculous, and *My only responsibility is to my family* won general agreement. They preferred value added tax to income tax, strongly supported the health and education services — for which they thought taxes should be ear-marked — did not like child benefit and pensions as universal benefits, and in general thought benefits should be means-tested or otherwise targeted. They strongly associated Labour with high taxes, and were hostile to hand-outs — and local councils. The Conservatives were seen as the party of low taxes and financial prudence (!)

Andrew Dilnot (Institute for Fiscal Studies) and Fran Bennet (Child Poverty Action Group) led a debate on universality versus targeting. Andrew Dilnot conceded that universality was better insofar as there was no stigma, better take-up, and cheaper administration. But a completely universal system would be prohibitively expensive — involving tax rates of 75% or more. (*See Editorial for explanation that this costing assumes adult CIs equal to one-third average earnings, and is therefore misleading).* Fran Bennett argued that targeting, and the bureaucracy associated with it, was unsuited to the volatility of today's labour market and family situations. Means-testing also put a brake on initiative. She thought the Commission should be urging the Labour Party to build a welfare state that would last, and would attract the loyalty of the other parties.

Louie Burghes reported on workfare in the United States — where it is aimed at families with dependent children, mainly lone parents, and is confined to six states. It does not increase work skills, does not provide security of employment, nor sufficient income. Clive Brook thought workfare could be a populist move for the Government, and would shift the unemployment figures. He emphasised the sharp drop in skills training — and the fact that Government concentrated on training people for old jobs, not new ones — as a result of which about 54% of trainees return to unemployment. Appealing for additional funding for an active labour-market policy, he urged government to look at Sweden — not the US — and to investigate training credit schemes for young people, and the possibility of loans, individual entitlement to training, and an independent advice service.

Frank Field felt that humility in the Labour Party was in order, given the results of the last four elections. He also felt that the traditionalists had a point – he wanted to dispute the direction that modernisation was taking the party — a lame reflection of the Conservative position. He appealed for a map, a compass and a rudder to give the Party political and moral will power. The Commission for Social Justice would have no value if the Party did not know what it stood for. Welfare reform need not cost a penny, all that was necessary was to privatise the endowments that underpin private schools and Oxbridge colleges. These, originally, were for the education of the poor. If the Labour Party didn't privatise them, the Tories eventually would. He also wanted to give people active control over their own pensions. At present the pension funds control half of British industry. If, instead, the British public owned that half we could afford to take a different view of the British economy. Industrial policy could be revolutionised, and the trade unions given a proper function. At present British industry is virtually run by pension fund managers, concerned with short-term gains. When asked by Evelyn McEwen (BIRG/CIRG) about the many people who are not in the labour market and will not qualify for pensions, Mr Field said he didn't know all the answers, but it was important to begin a debate with the electorate.

On the following day the subject was *Labour, Poverty and the Underclass*, debated by Malcolm Wicks MP, Patricia Hewitt (IPPR) and Melanie Phillips (The Guardian). Melanie Philips and Patricia Hewitt said they disliked the term underclass, and Patricia Hewitt said it was important not to include all lone mothers in the term. It was important to encourage links with the absent parent. She also called for a rethink on the boundaries between work, short-term unemployment, part-time work, and their relationship with the benefits system. The male model of full-time, life-long work is no longer a suitable basis for policy-making. Pro-rata rights for part-timers are necessary, and abolition of the threshold for NI contributions. 'Portfolio' lives should be encouraged. Malcolm Wicks warned against getting too hung up on the underclass. Social security reform should not be approached solely via the poorest people in society. There were many changes that had to be allowed for, like the increase in part-time work and the fact that 37% of first marriages end in divorce. We should be talking about different sorts of work, not just paid work.

Donald Dewar MP (Shadow Secretary of State for Social Security) was the last speaker. He said it was a time of reassessment, and the Labour Party intended to do just that. He too was reluctant to use the term underclass — the Right regarded them as a class to combat, not people who should be brought back within society. He thought integration of the tax and benefit systems was worth a long, hard look — but there was the problem of cost. Targeting versus universality would attract a great deal of attention, and there would also be a debate about the role of national insurance. Full employment was important, but perhaps no longer possible. And workfare was very difficult. The priority should be training: there were 100,000 young people without any income. Replying to questions he recognised that there were strong arguments, put forward by Hermione Parker and others, in favour of a Basic Income, but he thought it would be difficult to persuade people that this was the best way forward. And he emphasised the advantages of targeting through demogrant groups — like children — rather than means-testing.

6. House of Commons 'WEEK ON WOMEN', 1st-4th February 93: 'The Juggling Act'

Hermione Parker reports: To mark the 70th anniversary of women getting the vote, and thanks to the enthusiasm and tenacity of Angela Eagle MP, Emma Nicholson MP, Lesley Abdela (founder of the all-party 300 GROUP for women in politics) and Shelagh Diplock (Director of the Fawcett Society), a Committee Room in the House of Commons was reserved every evening from 1st-4th February, to give women and men from all over the country an opportunity to discuss the difficulties facing women, as they juggle between family and job, and to put forward proposals for change.

On the Wednesday, CIRG members Carolyn Armstrong, Keven Donnelly, Hermione Parker, Susan Raven and Malcolm Torry attended a session on poverty. Issues discussed included child benefit, low pay, rural poverty, childcare, part-time workers' rights, equal pay, women as policy-makers, pensions, unwaged work and ... Citizen's Income. Speaking on behalf of CIRG, Hermione Parker said that those who stand to gain most from CI are undoubtedly women, but this is not because CI favours women, it is because the existing system favours men. CI's main advantages for women include:

- 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 or re-training
- Guaranteed pensions in old age
- A benefit system that is easy to understand

It is nevertheless important to emphasise that men at the bottom of the income distribution, or at the edges of the labour market, would benefit in much the same way as women.

7. St George's House, Windsor Castle, 10-12th May 93 Family Policy Consultation No 6

Hermione Parker writes: This consultation was organised by Professor Richard Whitfield of the National Family Trust in association with St George's House. As a speaker, I had the opportunity to explain the implications of CI for family life. I argued that a CI would strengthen family life:

- By providing small but guaranteed incomes for mothers, carers, homemakers, and voluntary workers.
- By giving older children, and young people in the 16-25 year age group, a small but dependable income during study and training.
- By being neutral between one- and two-parent families. Lone parents would need Guaranteed Maintenance Allowances (GMAs) in addition to their CIs, but the GMAs would be credited through the Child Support Agency, not the CI machinery.

- By providing guaranteed Citizen's Pensions in old age, with entitlement based on length of residence in the UK, not contribution record (cf Scandinavia, the Netherlands and Canada).
- By reducing the number of families dependent on means-tested benefits, hence the number of children growing up in households where flouting the law may be necessary for survival.

8. BIRG North-West

Kevin Donnelly reports: Hilary Brazell recently attended a course on *Creation Spirituality* at the Schumacher College, Devon, led by Matthew Fox. She writes: "A remark I made about the need for acceptance of the concept of Basic Income as fundamental to a successful environmental revolution, led to a request for further information. I spoke about BI for 15-20 minutes, and have subsequently sent off 20 packages of information to interested parties."

At the North-West conference last October, Gabrielle Cox of Manchester's Low Pay Unit chaired a session where Bulletin editor Hermione Parker's paper was well received by women who thought a worthwhile CI would give them more time to enjoy their children. Ken Palmerton and David Pidcock, straight from the Commission on Monetary and Economic Reform conference in Canada, were just in time to hear Farel Bradbury of the Resource Use Institute talking about financing CI through an energy tax — which pleased those present who were uncertain about financing it from income tax. Conell Boyle (our Man in the Midlands) was also in good form, in a stimulating paper.

Ken and David missed the April North-West conference, because of a visit to the Sudan, where government advisers showed an interest. Both Ken and David talked CI on local Radio Ramadan during the Islamic fast, and Ken also spoke on Radio Sheffield.

Our April meeting was delighted when Maire Mullarney dropped in en route from London to Dublin for a lively session about children needing parental time — which CI would enable and encourage. Abigail Thomas is beginning to promote CI talk amongst young mothers like herself. Ruth Sharpless Weston is forming a West Yorkshire group to discuss CI, while Kim Gregory is doing field work research for CI as a reluctant Restart participant. Top-down coercion by Restart predictably generates grass-roots resentment. Restart takes away personal and community power — as well as dignity. Kim thinks CI would work far better, because it would enable.

Proponents of workfare and conditional BI schemes should note this.

A French language course at Chorley was the setting for a lecture by Bernard Rocques on current ideas in French politics. Among them he included the *revenu d'existence* (i.e. CI) which featured in the March issue of *Le Monde Diplomatique* along with other related articles.

Book Review

ARGUING FOR BASIC INCOME Ethical foundations for a radical reform

Philippe Van Parijs (ed.)
Verso, 1992, 248 pp, ISBN 0 86091 586 7

Walter Van Trier writes:

Suppose you were convinced that the battle for Basic Income (BI) needs a broad ethical justification. Or, at least, to win over the present opponents of its legitimacy, that you need to be able to spell out why a BI society would not be unfair and can be just and good, despite appearing to give bonuses to the lazy, and hand-outs to free-loaders.

One way to proceed would be to ask several well-known moral philosophers to make, from their respective viewpoints, a case for BI as coherent and as strong as possible; to invite other moral philosophers to question the claims set forth; and to provide both sides with an interested and informed audience to debate the issues. Apart from the important spin-off, that you can use the occasion to introduce an idea (to moral philosophers and others) which might otherwise have gone unnoticed, or have taken longer to come up, it might result in a much clearer view of the chances of finding a strong and coherent ethical principle on which to base the argument for a Basic or Citizen's Income.

Even though much of the talk about BI remains speculation, this fantasy at least has been lived. For in September 1989, Professor Philippe Van Parijs (of the Catholic University of Louvain in Belgium) organised just such a conference, featuring carefully prepared papers on the moral justifications for BI, from a libertarian, an egalitarian, a community and a 'green' point of view. *Arguing for Basic Income* results from this conference. It contains most of the contributions to three of the four debates held in Louvain. Only the material on a green ethical foundation for BI has been omitted. And the book is introduced using a shortened version of Philippe Van Parijs' conference background paper, in which he summarises — with his usual clarity and analytical skills — the different, competing justifications for Basic Income.

It would be wrong, however, to see this book as just another example of the rather too easy-going habit of making a book out of lightly edited conference proceedings. Comparison with the conference papers reveals not only the amount of editorial effort put into the re-working of the original contributions, but also the inclusion of substantial additional material in the first and last parts of the book.

After the 44-page introduction by Van Parijs, the book is in five parts, with twelve further chapters by the following contributors:

Part 1:	SOCIO-ECONOMIC BACKGROUND Guy Standing, Claus Offe
Part 2:	LIBERTY Hillel Steiner, Alan Carling

Part 3:	EQUALITY John Baker, Brian Barry, Richard Norman
Part 4:	COMMUNITY Bill Jordan, André Gorz, Michael Freeden
Part 5:	EFFICIENCY Robert E. Goodin, Philippe Van Parijs

Part 1: Socio-economic background. Here the reader is offered two contrasting views of the background against which the moral philosophers will be discussing the BI idea. Guy Standing (of the International Labour Organisation in Geneva) highlights recent labour-market developments, and Claus Offe (of the *Zentrum für Sozialpolitik* in Bremen) does the same in the field of social policies. Both chapters offer answers to the question why BI is being discussed now. Standing concludes that BI should be part of the new social consensus the West so badly needs. Offe argues for a BI based on a "non-productivist design", by which he means a design that questions the assumption (behind existing social security systems) that hope of gain is self-evidently a morally acceptable criterion (pp 67-68).

Part 2: Liberty. Hillel Steiner (of Manchester University) begins by explaining the libertarian theories of *just rights* and *just taxation*. Just rights include each person's right to self-ownership and to the things he or she has appropriated – provided those things were unowned at the time of the appropriation. "A just tax", says Steiner, "is one that takes from persons what they have no just right to possess" (p 81). On this basis he makes his case for three just taxes: a tax on bequests, a tax on the use of natural resources, and a tax on children's genetic endowments. The revenue from those taxes could yield a fund on which every individual citizen had an equal claim – therefore a libertarian case for a universal grant of some kind seems possible. However, whether Steiner's tax base would allow the BI to be set at a respectable level is unclear – the more so since there seem grounds to dispute whether his third tax (on genetic endowments) is indeed just, as Alan Carling (of Bradford University) points out in his contribution.

Part 3: Equality. The egalitarian case for BI mounted by John Baker (of University College, Dublin) is much more complex, and relies on an ingenious argument featuring notions such as *compensating differentials* and graphs representing compensation curves. However, this machinery does not produce a straightforward ethical foundation for Basic Income. Although Richard Norman (of the University of Kent) is in general agreement with Baker, he considers that "Baker does not put forward an egalitarian argument for Basic Income as such; rather, he argues for a particular interpretation of equality of incomes, and Basic Income then turns out to be justified incidentally as a component of this equal income" (p 141). By contrast Brian Barry (London School of Economics) concludes that an egalitarian framework is probably inappropriate as a justification for BI and advises readers to look more in the direction of freedom.

Part 4: Community. First, Bill Jordan sets out to show why an adequate theory of distributive justice should include a theory of social relations, taking into account the ways in which people share their lives in a community. He briefly sketches the contours of such a theory, and shows how an argument for BI can be constructed from it. Jordan's claim is then discussed by French philosopher André Gorz, who argues that in a complex modern society, income and membership of a micro-social community (or family) are not enough to make you feel that you are a citizen. To feel an equal you need to feel useful, in other words you need a job, and it has to be a proper job, not walking someone's dog, shoe-shining, or selling flowers at street corners (p 180) – which in turn implies government planning. Leaving everything to a BI plus voluntary transactions will not do the trick, says Gorz.

Part 5: Efficiency. This concluding section contains two chapters not presented at the Louvain conference. Robert Goodin (Australian National University) argues in favour of BI on the grounds that it makes fewer presumptions about the people it is trying to help, and is therefore less prying and intrusive – and, contrary to conventional wisdom, more efficient than so-called *targeted* programmes. Finally, Van Parijs, in the only previously published contribution[1], sets out to show that BI is a necessary condition for major social policy reform, on both efficiency and equality grounds.

It will be clear, even from this brief guided tour, that *Arguing for Basic Income* is a major contribution to the debate, which no one concerned with BI should leave unread. Van Parijs has put together a book which demonstrates that moral argument is an important weapon in the battle for BI. Although some of it is not easy reading, most of it avoids jargon and justifies the effort required to understand it.

The main lesson of the book may nevertheless be that producing a moral justification for BI is more complicated than one might think. For example, Steiner's libertarian case for three just taxes provides us at the same time with arguments for taxing people, and for distributing the tax yield equally to all. No other principle discussed – egalitarianism, community, or efficiency – pulls off the same trick. If a clear-cut, coherent moral argument for BI could be found, it would very likely be along the lines laid down by Steiner. Yet Steiner himself seems hesitant. Would his three just taxes yield a BI high enough to be respectable, and to bring all the benefits waiting for us if we consider the efficiency approach? At the end of his chapter, Steiner notes that his libertarian outlook does not allow him to consider national boundaries. To be compatible with libertarianism, a universal grant needs to be world-wide. Would he therefore vote against it, if it were proposed in the UK?

Arguing for BI, we need moral arguments. Sure. But perhaps there is a difference between looking for an ethical foundation based on a single principle, and devoid of pragmatic implications, and producing a morally convincing justification for it, constructed out of a careful balancing of the many economic, social, political and ethical questions that bear on it. And perhaps this last route can be fruitful even if the results of *Arguing for Basic Income*, along the first route, are on the face of it rather negative.

Which brings me to my only real criticism of the book. All twelve contributors are men, and none of the chapters considers how women would fare in a BI society. I am not a professional philosopher, so my view of the literature may be inadequate, but it seems to me that within the field of moral and political philosophy a distinct stream of writing is developing, which criticises any ethical or political view based on universal concepts which do not take note of the differences between men and women. It would have been useful to include a fifth section in the book, covering an ethical foundation of Basic Income from the point of view of women –

especially since rather more than half the population we have to convince are women.

Walter Van Trier works in the Department of Economics at the University of Antwerp, and is Secretary of the Basic Income European Network.

Reference

1. Journal of Social Policy, January 1990.

Book Review

DEPENDENCY CULTURE
The explosion of a myth

Hartley Dean and Peter Taylor-Gooby
Harvester Wheatsheaf, 1992, 217 pp,
ISBN 0-7450-1225-6

Bill Jordan writes:

The central message of this book is well captured in the following passage:

> It could be argued that the government has succeeded in constituting state dependency as uniquely problematic and in refining the disciplinary nature of the claiming experience. It has done so by diminishing rights to certain benefits, by increasing the surveillance of claimants, by bringing new pressures to bear and by promoting a climate of heightened mutual suspicion. The Social Security system does not foster a dependency culture, but it constructs, isolates and supervises a heterogeneous population of reluctant dependants ... What we are indicating is not in essence a cultural phenomenon at all, but a palpably disciplinary effect of the Social Security system (pp 125-4).

I largely agree with the thrust of this argument, and admire much of the analysis that leads its authors to this conclusion. However, I wonder whether a sceptic — either someone with authoritarian leanings, or an agnostic with no knowledge of the claiming experience — would be convinced. What the authors invite us to conclude is that all the policy changes of the past decade, which have made a large group of claimants 'captives' within the public assistance system, have not affected their everyday practices. Have the authors indeed 'exploded a myth'? Is there no claimant culture?

The first three chapters reconstruct the origins of the British government's programme to discipline the poor, and denounce the *dependency culture*. The authors trace the economic, demographic and social policy changes that led to a steep rise in the number of people on Income Support in the 1980s; and the ideological underpinnings of the view that reliance on benefits represents a morally hazardous form of dependency.

Margaret Thatcher's government pursued a policy strategy which marginalised low-paid workers and lone parents, reinforced their poverty and insecurity, and then blamed them for their failures. The concept of an *underclass* was then mobilised (by politicians and social scientists across the whole political spectrum), but right-wingers focused on the 'supposed apathy or degeneracy of social security recipients' (p 52). Although the title of Chapter 2 suggests it will analyse the claimant culture, in fact it is confined to a critique of some of the loose theorising and unsubstantiated claims.

This puts a lot of weight on the authors' own research, which consisted of semi-structured interviews with 85 claimants of working age, of whom 33 were lone parents and 34 were single people, mostly unemployed, and drawn from a fairly wide area in Kent and South London. Over half were contacted through independent advice agencies, a radio broadcast and voluntary agencies, with the rest contacted through the Department of Social Security. The authors argue that their 'discursive interviews' with this very diverse sample can complement survey evidence of attitudes and behaviour, by enabling them to 'examine in detail how the new policies (for instance on work tests) were interpreted by the claimants themselves in the context of their own lives' (p 79); and that 'a picture of a culture is built up as the preponderance of the values expressed by individuals in a particular category' (p 82).

The first claim is valid, and the book gives a convincing account of how the changed Income Support rules were construed by the interviewees, and how the overall impact of the claiming experience was described. Stricter testing of claimants' availability and work-search behaviour, and greater suspicion of fraud were experienced as punitive by many, and contributed to the impression of a system that was grudging as well as overstretched. Grievances, anger and a perception of unfairness were common, and the state was seen as 'hostile' or 'adversarial' (p 102). The authors conclude that 'breaches of people's expectations as workers, as family members, as citizens and as members of a wider community ... can best account for such instances of behaviour and attitudes as were observed to be at odds with mainstream values' (p 88): there is no culture of dependency.

It is here that the analysis becomes less convincing: for in what sense does this interview method allow 'a picture of a culture to be built up', and an explanation of behaviour to be provided? These were individual claimants, recounting their experiences to an academic researcher in a one-off, 20-45 minute tape-recorded interview. They were asked about their awareness of new work-search rules, employment experiences, attitudes to education and training, work motivation and so on. But the analysis provided is not of the interviews as interviews, it is of the 'attitudes' and 'values' expressed by the respondents, coded and presented quantitatively, despite the acknowledgement that the sample was in no way statistically constructed or representative. We learn how many claimants were aware of a change of rules, or criticised a particular aspect of the system. And this is supplemented by analysis of the 'discursive content' of the interviews, to show the language and arguments employed, and by some very telling quotations.

What we glimpse is the interviewees mobilising their socially valued attributes — as workers, parents or citizens — to tell their stories, including 'atrocity stories'[1] about the social security officials. They are doing what Goffman[2] calls face-work — claiming respect from a stranger (the interviewer) partly by discrediting those who demean and stigmatise them. When asked about 'dependency', they use artful practices (like saying ironically 'Oh yes, I'm a bum'), to cope with the apparent discrepancy between their status and their claims to social value. Dean and Taylor-Gooby spend so much time emphasising the 'diversity' of the accounts (hardly surprising, given the nature of the sample) that they devote too little attention to these common features of the interviews. Nor does their method allow them to say what the claimants do about their 'resentment and frustration', except in the most general terms.

Even so, many of the short quotations from the interviews are remarkably pithy and memorable, and the book deserves to be read as much for these as for the authors' policy analysis and social theory. The really interesting questions, of course, are not the ones posed by the government's onslaught on dependency, or by the moral panic whipped up by ideologues like Charles Murray.[3] They are about how claimants survive the experiences of marginalisation and exclusion.

In insisting that the respondents were no more than individuals arbitrarily and reluctantly grouped together by government policies, the authors are largely blind to the purposive, order- and identity-giving aspects of the interview accounts, and the cultural resources they display. If he had paid more attention to the nature of the claims to value and respect made by the respondents, would Taylor-Gooby have written, more recently, of the Prime Minister's workfare speculations as follows?

> The solution, if you want to help the misery of able-bodied people in poverty, is to link benefit to proof of desert. This means workfare, learnfare, tests of availability for work and all the rest of it. This is an expensive rigmarole that doesn't actually get people into jobs, where there are no jobs to be had. It does mean you can have decent benefit levels, because you are not seen as subsidising scroungers.[5]

I don't think that the analysis of the research warrants this conclusion. On the contrary, there is much evidence that the 'rigmarole' would be as deeply resented as the measures which this study investigates. The pity is that this kind of qualitative research of poor people's accounts could provide the missing evidence of the effects of the Thatcher years — the social effects of exclusion, division and marginalisation. With luck, future studies will contribute more understanding to the significance of claimants' survival strategies.

Bill Jordan's book (with Simon James, Marcus Redley and Helen Kay) ***Trapped in poverty? Labour-market decisions in low-income households****, Routledge 1992, was reviewed in BIRG Bulletin No. 15.*

References

1. Baruch, F., *Moral Tales: Parents' Stories of Encounters with Health Professionals*, Sociology of Health and Illness, Vol. 3, No. 3, 1981, pp 275-96.
2. Goffman, E., *On Face Work: An Analysis of the Ritual Elements in Social Interaction*, Psychiatry: Journal for the Study of Interpersonal Processes, Vol. 18, No. 3, 1955, pp 213-31.
3. Murray, C., *Underclass*, The Sunday Times, 26th November, 1989.
4. Scott, J.C., *Domination and the Arts of Resistance: Hidden Transcripts*, Yale University Press, 1990.
5. Taylor-Gooby, P., Letter to the Editor, *The Guardian*, 2nd February 1993.

Books and Papers received

We rely on readers to keep us informed, by sending us research papers, articles and other publications on Basic or Citizen's Income (world wide). If you have something you think is relevant, please send a copy to the Editor, c/o CIRG.

Options for Equality in State Pension Age CM 1723, Department of Social Security, HMSO, December 1991; and **Response on behalf of the Basic Income Research Group,** Hermione Parker, BIRG, June 1992. Whilst welcoming the government's commitment to equal treatment of men and women, BIRG's response points out that equal treatment need not produce equal outcomes — due to the lower life-time earnings of most women. Whilst accepting the financial constraints within which Government has to operate, BIRG's response starts from the premise that no proposal for reform of state pension ages is acceptable which disregards the problems of *Third Agers* below the new state pension age, or adds to the number of people in need of means-tested benefits. A solution is needed that accommodates current trends towards more flexible working practices, longer life expectancy and less secure family arrangements. Within the existing structure of work-tested and/or means-tested benefits this is impossible, therefore the existing system needs replacing. BIRG (now CIRG) proposes a *Residence Test Scheme.* Every citizen meeting the residence test would get a small Citizen's Pension from age 60, and a full Citizen's Pension from age 65. Those who did not meet the residence test in full would receive smaller amounts. Income Support would continue as a safety net, but reliance upon it would fall. Potential beneficiaries of the Citizen's Pension include carers and mothers with incomplete contribution records, voluntary workers, and unemployed Third Agers of both sexes who at present depend on Income Support. Well-off pensioners would pay their CIs back through an integrated income tax.

Arguing for Basic Income: Ethical Foundations for a Radical Reform, Edited by Phillipe Van Parijs, Verso 1992 (See Book Review).

Making ends meet: A brief review of social security provisions in five European Countries, Liz Webster, Quaker Council for European Affairs, 50 Square Ambriorix, 1040 Brussels, Price BF 250. A useful guide to social security provisions in Denmark, France, Germany, the Netherlands and Britain. Social security *could* be a tool to help individuals gain human dignity and become active citizens. But too often individual social policies have the opposite effects. At the time when the European Community is discussing the convergence of social policies, there is a need to highlight those aspects of existing policies which could become the seeds of a "fair and consistent social policy".

Ageing and Economic Welfare, Paul Johnson and Jane Falkingham. Sage Publications, 1992, ISBN 0-8039-8248-8 hbk, 0-8039-8249-6 pbk. Useful analysis of the policy implications of an ageing population, and some possible policy responses to them (including Basic Income).

Economic transformation in Eastern Europe and the distribution of income, Anthony B. Atkinson and John Micklewright, Cambridge University Press, 1992, 448 pp, ISBN 0-521-43329-0 hbk, 0-521-43882-9 pbk. This impressive study should be read by anyone interested in the idea of a pan-European CI. For it demonstrates the complexities of existing systems, and the vast differences in experience between Central Europe and the former USSR, between Czechoslovakia, Hungary and Poland, and between the newly independent states of the former Soviet Union.

Citizen's Income, Hermione Parker, in *Pensioners' VOICE,* Melling House, 14 St Peter St, Blackburn BB2 2HD, October 1992. Explanation of the case for CI, with special reference to a Citizen's Pension based on length of residence in the UK — the changes it would involve — the financing method — and how it could be fitted in with equality in state pension age.

Household budgets and living standards: Social Policy Research Findings No. 31, Joseph Rowntree Foundation, The Homestead, 40 Water End, York, November 1992; and **Family Budget Unit Working Papers,** FBU, IRISS (Block D), University of York, Heslington, York YO1 5DD (price £6 per Working Paper). After two years of multi-disciplinary research, figures are now available which show that a modest-but-adequate living standard for a two-child family can cost over £300 a week, or more than £400 a week when income tax and national insurance contributions are added in. The cost of a child is about £60 a week. Detailed working papers and budgets for six model families.

Health, Wealth & Poverty: Papers on inequalities in income and health, Charles Webster, Margaret Whitehead, Richard Wilkinson, Jim McAuslan, Hermione Parker, Tony Benn MP, published by MEDICAL WORLD/SOCIALIST HEALTH AUTHORITY, 16 Charles Square, London N1 6HP, March 1993, £2. These papers, which were presented at a conference in London in November 1992, examine the links between poverty and ill health and make proposals for radical reforms. Richard Wilkinson's research on the relationship between income and health shows that in industrialised countries it is relative rather than absolute poverty which damages people's health. Margaret Whitehead's work confirms the widening inequalities in health in a society where individual success is valued more highly than social responsibility. Other papers include Dr Charles Webster's analysis of the failure of the NHS to tackle inequalities in health, Jim McAusan on redistribution of income through tax reform, Hermione Parker on a shift to empowerment through Citizen's Income, and Tony Benn MP on the history of the struggle for equality.

Households below average income: a statistical analysis 1979-1988/89, Department of Social Security, HMSO, July 1992; **Poverty statistics: a guide for the perplexed,** Christopher Giles and Steven Webb, Institute for Fiscal Studies, Commentary No. 34, 1993. Between 1979 and 1989 the Department of Social Security published tables every second year showing the number of families with net incomes below Supplementary Benefit (SB) levels, the numbers in receipt of SB, and the numbers whose net incomes after housing costs were less than 140% of SB guaranteed amounts. The series was called *Low Income Families (LIF).* At that time SB was the UK's safety net of last resort, but in April 1988 it was replaced by Income Support (IS). In 1988 the LIF series started to be replaced by a new series, called *Households Below Average Income (HBAI).* It provides information on household incomes adjusted for household size (i.e. *equivalised),* before and after housing costs. For various reasons the Department of Social Security discontinued the LIF series, and the IFS research document is designed to fill that gap. Both series show a sharp rise in the number of individuals counted as having low incomes, but LIF provides a better indicator of the number of families who fail to achieve IS living standards. The number of individuals dependent on SB/IS, *or with resources below that level,* is estimated to have risen from 7.7 million in 1979 to 11.3 million in 1988-89.

Beveridge, the National Minimum, and its Future in a European Context, A.B. Atkinson, Discussion Paper WSP/85, STICERD, London School of Economics, January 1993. Important decisions have to be made about social security in Britain and the European Community. In this Discussion Paper, based on a public lecture at the London School of Economics on 2 December 1992, the author argues that Beveridge was correct in rejecting means-testing, which is not the right model for a European minimum income. Instead we should modernise social insurance and develop a Basic Income conditional on "participation". For a shortened version of this lecture, see *Participation Income,* by Tony Atkinson, elsewhere in this Bulletin.

Citizen's Income and Women, BIRG Discussion Paper No. 2, £3, January 1993, Citizen's Income Study Centre. St Philip's Building, Sheffield Street, London WC2A 2EX. Edited by Hermione Parker, this 71 pp pamphlet is the outcome of structured discussions within a group of 17 women, chosen for their expertise in social policy. Since Beveridge the status of women has been transformed. but in social security terms most women still live in the Dark Ages. The problem is that national insurance is based on the assumption that work means paid work, and those who do unpaid work are treated as second-class citizens. From which is follows that men do relatively well, but women are disproportinately at risk of poverty and family life is weakened. Basic Income is put forward as a way of overcoming these problems, and the distributional and incentive effects of BI schemes are discussed, with special reference to lone parents and pensioners. Whilst welcoming the government's commitment to equal state pension age, the group questions the logic of raising women's state pension age to 65, when there are no jobs to go to. A residence-based Citizen's Pension would help women who put their families above their jobs. But it cannot happen until the Treasury changes the way it presents the national accounts. Only that part of CI expenditure credited to people who received more in CI than they paid in income tax should count as a cash expenditure — the rest should count as tax foregone. Otherwise the switch to CI can be made to look like a massive increase in public expenditure, financed by swingeing tax increases — which is the opposite of the truth (see also Christopher Monckton in this Bulletin).

Newsletter of the Basic Income European Network (BIEN), No. 15, January 1993. Published three times a year, twelve pages of information about past and future events and publications relevant to CI/BI. For further information contact Walter Van Trier (BIEN Secretary), UFSIA, 21 Bosduifstraat, B-2018 Antwerp.

Liberty, Equality and Efficiency, J.E. Meade, MacMillan 1993, 256 pp, £40 Hbk, ISBN 0-333-58530-5. This important book, which will be reviewed in Bulletin No. 17, discusses a set of radical changes in economic institutions and policies, designed to show an efficient but socially acceptable third way between Keynesian inflation and monetarist unemployment — and between the inefficiencies of socialist centralism and the ravages of unrestrained capitalism. The author's aim is threefold: freedom of individual choice (liberty), a high standard of living (efficiency), and the avoidance of excessive divergences between rich and poor (equality). Part 1 consists of a reprint of *Efficiency, Equality and the Ownership of Property* (George Allen & Unwin 1964). Part 2 brings together four recent Agathotopian Papers, including a highly revised version of *Agathotopia: The Economics of Partnership*, and a hitherto unpublished paper on the Agathotopian treatment of the problem of pollution.

About Time: The revolution in work and family life, Patricia Hewitt, IPPR/Rivers Oram Press, 1993, 183 pp, ISBN 1-85489-039-5 hbk, 1-85489-040-9 pbk.. This account of the complexities and labour market implications of the existing tax and benefit systems is necessary reading for anyone interested in reform. CI does not get a mention, but the inequities of the present system are recognised, and some of the reform proposals currently being discussed by the Left are explained. Labour market issues do however take priority over family life.

Life, Work and Livelihood in The Third Age, Final Report of the Carnegie Inquiry into The Third Age, Carnegie UK Trust, 1993, 157 pp., £19.50, ISBN 0-900259-30-2. Obtainable from: Bailey Management Services, 127 Sandgate Road, Folkestone, Kent CT20 2BL. In 1989 the Carnegie UK Trust identified major concerns about the growing number of people in the Third Age, with the latter defined as *the period of life when people emerge from the imperatives of earning a living and/or bringing up children and, without precedent in our society, are able to look forward to perhaps twenty or more years of healthy life.* The purpose of the inquiry was to establish the facts about the Third Age; to identify needs and options for change; and to set out the policy implications. In addition to the main report, nine separate studies were carried out, including one by the Institute of Fiscal Studies (IFS) on *Income: Pensions, Earnings and Savings in The Third Age* (price £9.50). Unfortunately the definition of the Third Age used by the IFS was not the same as the definition used in the main report — because the Family Expenditure Survey on which the IFS research depended does not allow for esoteric definition. Conclusions of the main report include the need to: review and clarify the role of the state basic pension; enable and encourage more third agers to do paid work: tackle the multiple disadvantages suffered by a substantial minority of third-agers, especially women; take preventive action early in life through improved access to education, training, jobs and pension rights. *The most important point is that financial support should be adequate. The growing polarisation between the better and worse off, and the special financial problems of many women, warrant an open review of social security policy and the place within it of state basic pension and means-tested benefits* (p 95).

Viewpoint

Citizen's Income and the Trade Unions

Richard Exell

Richard Exell works in the Equality and Social Policy Department of the Trades Union Congress. Here he sets out the hurdles which CI advocates need to overcome if they are to win over the trade unions. The piece is based on a talk given by the author at BIRG's consultation in St George's House, Windsor, last October (see AT HOME AND ABROAD).

I want to begin by thanking BIRG for inviting the TUC to take part in this consultation. Citizen's Income (CI) is one of the most radical and thought-provoking ideas in social security today, and we treat it with the respect it deserves. Your Bulletin is consistently fair and accurate, and everyone interested in the future of social security should pay attention to the debate it promotes — whatever conclusions they may come to.

What I have to say is not a definitive statement of TUC policy. Neither our annual Congress nor our General Council have considered CI, and a TUC officer cannot determine what their view would be. This does not mean, however, that the TUC has no relevant policies or concerns to bring to the discussion.

TUC priorities

TUC policy has always emphasised paid employment as the main route out of poverty — plus social insurance to protect workers against loss of earnings, buttressed by an adequate system of means-tested social assistance for those who fall through the insurance net. The TUC sees the main weaknesses of current provision in the UK as being the exclusion of important groups of people from National Insurance (NI) benefits, and increasing reliance on Income Support and other means-tested benefits. The reforms the TUC seeks are those which will rectify those problems, namely increases in the level of National Insurance benefits, and an expansion of National Insurance entitlement, especially to people with disabilities, unemployed school leavers, carers, and other people with family responsibilities.

The key to paying for these reforms is a reduction in unemployment and an expansion of employment, which will reduce the incidence of poverty, expand the tax base, and cut the number of people reliant on these enhanced benefits.

It goes without saying that the TUC believes that full employment is a feasible objective — indeed, it is an urgent necessity. Full employment in the 1990s will not, of course, be the same as full employment in the 1950s and 60s, and may well involve worksharing. However defined, it is nevertheless central to our social security policies.

Were we to be convinced that full employment is unattainable, then the case for CI might well present itself more forcibly to our attention. As things are, I accept that advocates of CI think it is a viable alternative to the existing system, whether or not there is full employment. So I will consider it in this context, with special reference to wage levels, National Insurance and the CI amounts.

Wages

The first point to be made is that it would be difficult for the unions to accept a Citizen's Income system without the introduction of a national minimum wage. All social security systems have some wage subsidy effect, but this is especially important in the case of benefits like CI, which are paid regardless of the recipients' employment status. The TUC firmly believes that the *labourer is worthy of his hire*, and that it is unacceptable for the taxpayer to subsidise profits by paying for a benefit which has the effect of lowering wages.

National Insurance

The second point to be made is that the TUC would not welcome a Citizen's Income associated with the abolition of National Insurance benefits and contributions. Whilst accepting that three important social security objectives — provision against loss of wages, family income support, and amelioration of poverty — might be achieved by a combination of CI and means-tested benefits, such a system would have problems with the savings and unemployment traps which cannot be ignored. Any system in which large numbers of people rely on social assistance faces these problems. The unemployment trap discourages poor people from taking paid employment, because their income from benefits falls as their income from employment rises. It is plainly unfair that someone working for her/his income should be little or no better off than a friend or neighbour in similar circumstances but wholly reliant on benefits. The savings trap discourages providence — people with low levels of savings (especially those in low-paid work or with interrupted labour-market records) find that, when they use those savings (in the form, for instance, of occupational pensions) they are little or no better off than their colleagues who haven't saved at all.

Also, a BI system without National Insurance could not realise a fourth purpose in which the unions have a special interest, namely compensation for loss of earnings. In undertaking most of the paid work on which society relies, employees risk loss of that employment, and the wages that go with it. That loss, even when a safety net benefit is available, can be catastrophic in its effects on workers and their families. As both employers and society generally benefit from employees' exertions, it is reasonable that both should contribute to the system that insures against loss of employment.

The BI amounts

Finally, trade unionists cannot consider CI in principle, without also considering the level at which it would be paid. For union members the difference between a high and a low level of CI is not just quantitative — in their effects on the labour market they are different benefits.

A Citizen's Income paid at a level high enough to live on would give people the financial independence necessary to be able to refuse bad jobs (with low pay, poor conditions, no union recognition). It would also provide the flexibility necessary for each individual to be able to work the hours s/he chose. A low level CI would not have this effect. Even if combined with a minimum wage, it would be likely to have a severe wage subsidy effect, dragging pay down at all levels.

Trade union preferences

To conclude, the TUC does not as yet have a policy on Citizen's Income. However, we can predict that trade unions would be more likely to support a high level than a low level CI; would be unlikely to support a CI that was paid for by the abolition of NI benefits; would be unlikely to support CI without a national minimum wage; and would be extremely unlikely to support CI if its introduction were predicated on the persistence of mass unemployment.

This does not mean that the trade unions and the Citizen's Income movement are at loggerheads. In the universal benefits *versus* means-testing debate we are likely to find a good deal of common ground. The ideal of a benefits system which promotes choice and opportunity is one we share. Over the years BIRG has refined its objectives, and TUC policy is not set in stone. We should therefore continue talking to each other in a spirit of mutual respect and friendly regard.

CITIZENS INCOME forthcoming events

CITIZENS INCOME ANNUAL CONFERENCE
Friday, 9th July, 1993
Room A86, London School of Economics, 10.00am — 4.00pm
Speakers include: Professor Bill Jordan; Patricia Hewitt (Deputy Director Institute for Public Policy Research); Christopher Monckton (CI Trustee); Richard Clements (Director Citizens Income Trust)
Chairwoman: Evelyn McEwen.

BIRG NORTH WEST
Saturday 23rd October, open meeting at Wythenshaw Friends Meeting House.
For further details, please contact Kevin Donnelly, 20 Nan Nook Road, Manchester M23 9BZ
Telephone: 061-998 4791

BIEN Conference in London, 1994

The fifth international conference of the Basic Income European Network (BIEN) will be held in London, Friday-Sunday, 8th-10th September 1984.
For further information please contact The Director, Citizens Income Study Centre, St Philips Building, Sheffield Street, London WC2A 2EX
Telephone: 071 955 7453. Fax: 071 955 7534

Subscriptions

If you would like to become a CI subscriber, or buy individual copies of the Bulletin, discussion papers or promotional video, please contact:

Caroly Armstrong, Administrator, Citizens Income Study Centre,
St Philips Building, Sheffield Street, London WC2A 2EX
Telephone: 071 955 7453 Fax: 071 955 7534

Annual subscriptions during 1993 are:

☐ **Individual £15** ☐ **Institution £25** ☐ **Unwaged £6**