# social services for all? part one

Peter Townsend, Mike Reddin, Peter Kaim-Caudle

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this is the first of four pamphlets dealing with selectivity and the social services

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# 1. introduction: does selectivity mean a nation divided?

Peter Townsend

Early in 1968 the Fabian Society called a conference to discuss a fundamental disagreement about the development of social policy which now appears to exist among leading spokesmen of the Labour Government and the Labour Party. The papers prepared for this conference, together with five which have been added subsequently, comprise the various essays which follow. Leading Ministers and ex-Ministers, such as Ray Gunter (*The Sunday Times*, 19 August 1967) Douglas Houghton (*Hansard*, 9 June 1967) Patrick Gordon Walker and back bench MPs such as Brian Walden (*The Sunday Times*, 25 June, 1967) have been arguing in favour of greater "selectivity". Others, such as Richard Crossman, Kenneth Robinson, Judith Hart (and before as Minister of Social Security, Margaret Herbison) have vehemently opposed any extension of "the means test" (press reports, 16 and 25 September 1967). Many of those who are most deeply informed about social policy, whether as strategists and social scientists, like Richard Titmuss (*New Statesman*, 15 September 1967) or as administrators, like Sir John Walley, the ex-Deputy Secretary of the Ministry of Social Security (*The Times*, 11 December 1967), counsel caution and point out the general and particular difficulties that exist, preferring the emphasis in policy to be given to "universalistic" measures, like family allowances. But there remains a lot of public confusion about the arguments, and a failure to isolate the key issues. What is at stake is not just the most technically efficient or cheapest means of reaching an agreed end. It is the kind and quality of the society we wish to achieve in Britain.

The starting point must be the recent history of Labour strategy. A few years ago the universalistic emphases in Labour's policies were quite clear. They were to extend and not restrict national insurance, curtail means tests and income tests in the social services (one result of which was to be the scaling down of the National Assistance Board to the dimensions of a residual service) abolish prescription charges, extend educational opportunity through the reorganisation of secondary schools, develop and expand community services and integrate immigrant groups, partly through strong legislation against racial discrimination. The theme of *equal rights* or social equality could be said to have been the dominant domestic theme of the Party manifestos for both the elections of 1964 and of 1966.

What has brought about the rapid change that has occurred in the climate of opinion since then? This is an intriguing question which future historians will want to try to answer at length, but which, in our bafflement, requires some provisional explanation. Here it is possible only to give a personal interpretation. First, there has been a subordination of social to economic objectives and strategies. The nation's economic difficulties have seemed so great that they have been used as an excuse for inaction in spheres which they did not seriously affect.

Not only was there in fact less money in 1964 and again in 1966 than had been hoped for housing, schools and hospitals, but it was believed that there was insufficient money too for social security reforms. The Government did not consider it could press through a strong redistributionist policy in the face of public opinion at home and financial opinion abroad. And instead of treating social policy as a major instrument in overcoming economic difficulties, for example, by developing at a disproportionate speed those sectors of the educational system which could produce scarce technical and scientific skills or, more generally, by creating the sense of social vitality from which might spring new attitudes to productivity, social policy was made subservient to traditional economic doctrine. This might be illustrated by the National Plan of 1965, by the statements made by the Chancellor, the Prime Minister and others in July 1966 and by the white paper of February 1968, on the cuts that had been made in public expenditure. Lately the Treasury's desire to evaluate social service developments through cost benefit analysis and not other types of analysis as well is another indication of the subordination of social to economic policy. To concentrate attention on the alternative ways of most cheaply achieving a certain end is not only to divert attention from alternative ends. It is to divert attention from alternative *social* means which are difficult or impossible to cost. The institutional processes have been complex and subtle. They have included pressures from the City, the United States and financial centres in Europe. But, by and large, the concerns of the market have gained ascendancy over the essentially social concerns with which the Labour Party took office in 1964.

Second, there has been a marked shift of emphasis away from social equality as a national objective. The White Paper on *Immigration from the Commonwealth* in 1965 (together with the later failure to promote integration) can now be perceived as representing a major retreat from universalistic values which inevitably sapped the moral authority of the Government in other social spheres and affected the whole delicate structure of community services. A sociologist is acutely aware of the interdependence of institutions and values and accepts the fact that changes in one part of the social structure are bound to affect other parts of that structure. The restrictive policies reflected by the White Paper and by measure, like the Kenya Asians Act, were bound to make racial equality harder to achieve. But they made social equality harder to achieve too.

Irrational expressions of prejudice and extreme forms of discrimination cannot be confined to one social group. White persons who live in the same slums and attend the same employment exchanges and housing offices as coloured persons are likely also to be victims of aggressive superiority. In the United States racial discrimination in many ways coincides with class discrimination, and the development of the former in Britain is likely to widen the social distance between classes.

The tone of recent articles and letters in the press about unemployed men alleged, against all the evidence, to be avoiding work at the nation's expense, and about unsupported women who are imagined to be neglecting their children, are disturbing examples. After the White Paper of 1965 the term "equality" could no longer be used unselfconsciously by members of the Labour Party. Much more important, the concept could no longer lend coherence and simplicity to the Government's long term objectives.

Third, large scale planning has given way to piecemeal improvisation. Understandable as it was at the time, the decision to strengthen the existing national insurance scheme in March 1965 rather than to replace it, say, a year afterwards, and to introduce social security reforms in instalments, beginning with redundancy payments and wage-related unemployment and sickness benefits, has postponed comprehensive reform along the lines of the national superannuation scheme proposed by Labour, has multiplied anomalies and has dismayed Labour Party supporters. Attention has been diverted away from strategic planning to the achievement of limited objectives of different kinds.

## the meaning of selectivity

For such reasons as these, then, the issues posed by "selectivity" have recently become real to many people. But what does the term *mean*? Here it is important to exclude two interpretations: choosing priorities, and defining groups in the population with particular social or physical characteristics. These two have been the source of a lot of misunderstanding—when confused with the third and narrower interpretation. No one seriously doubts that at any single time there must be some kind of rationale according to which the Government has to distribute limited resources as between education and health services, for example, or has to distribute them within any particular service, as between primary, secondary and tertiary education. How priorities of this kind can be identified is an interesting and serious question which is discussed far too little in relation to national objectives. (In the United States, despite a similar subordination of social to economic goals, more strenuous attempts at self-analysis are going on, through the Planning Programming Budgeting System introduced into each agency of his Cabinet by President Johnson in 1965.)

Again, a section of the population might be selected according to some social, physical or educational criterion in order that they might receive certain benefits or services. Thus, fatherless families, the blind, the disabled, persons aged 80 and over, educationally subnormal children, *irrespective of their incomes*, might qualify for benefits. But again, the appropriateness of this strategy, at least in principle, is not seriously questioned.

It is selectivity in a third and narrower meaning of the term which is in dispute. A test of means or of income is applied to the population in general, or indeed even to a particular category of the population, like fatherless families, the blind and the disabled, to decide who is poor enough to be provided with cash benefits, or free services, to be excused charges or pay lower charges. Current examples in Britain, taken at random, are supplementary benefits, free school meals, free milk for young children, rate rebates and, in many areas, free home help services.

## two objections to selectivity

Throughout the ensuing discussion the kind of society Britain wants to achieve and the strategies which will lead to the traditional socialist objectives of equality and freedom are at issue. Both objectives and strategies deserve much more scrutiny within the Labour movement. But is there a possible basis for agreement?

Every selective measure, whether actually in operation or merely proposed, involves highly specific problems. To some extent therefore each measure requires separate discussion. Many specific considerations are covered by the contributors and I am not going to attempt to sum them up here. But although they differ on broad issues of principle the contributors agree about two major problems. It is a fact that substantial proportions of the people who are in theory eligible for benefits under income test schemes do not apply for them. It is also a fact that proposals to extend income test schemes by modifying methods of tax assessment, for example, by paying allowances to those below the tax paying level, cannot be speedily implemented and cannot be made wholly equitable, both because the administrative and technical machinery which would be required in Britain could not be developed for several years at least (some Cabinet Ministers say 1976 at the very earliest), and because a huge proportion of those who would in theory be eligible could not be fitted into any "automatic" scheme. These would be people with different sources of income and insecure employment—most likely to be numbered among the poor. They would also be people living in households in which the wife or adolescent children have some earnings. We still do not know, because there exists no empirical study, whether the number of those dependent on earnings who live in poverty and who could be fitted even in principle into a computerised automatic scheme of, say, negative income tax is as high as, say, 40 per cent.

There are thus two powerful objections to the extension of income tested services. One is inefficiency (in terms of not reaching many of the people they are supposed to reach). The other is impracticality. But these objections are not fatal and it is at this point that the contributors diverge. Proponents argue that they could be

more efficient. They say public attitudes to income tests are changing, that income tests can be applied in a more tactful style, that campaigns can be mounted to persuade eligible persons to apply for benefits, and that a modern form of combined tax and social security assessment could, with imagination and Government support, be introduced more quickly than civil servants pessimistically suppose —at least for some of those who are poor. But are public attitudes really changing? I am sceptical of this assertion. At least we require better evidence than that so far provided. Although the Government has, for example, changed the name of means tested allowances from "national assistance" to "supplementary benefit" and has improved certain administrative procedures, similar changes have been made previously (for example, from "public" to "national" assistance). Again, the number of retirement pensioners coming forward for supplementary benefit has certainly increased since the implementation in 1966 of the Social Security Act. But how many of these new beneficiaries have come forward because benefit levels have been raised, because income and capital disregards have been made more generous, or only because the Ministry has at last got through to those who were too proud or uninformed to apply?

I believe that changes in attitudes to national assistance require substantial changes in social structure and in the bureaucratic institutions which are concerned with the poor, by the replacement of offices, the introduction of new forms of training and staff recruitment and the improvement of pay, all of which are bound to take time. Yet limited progress, of course, is not impossible. While awaiting the opportunity to introduce a different scheme, there is much to be said in favour of making existing forms of selectivity less objectionable. The efforts of the Supplementary Benefits Commission to modify the harsher rules of the test of means for benefit are a good example. So also are the large advertisements now placed by the Minister of Housing in the *Daily Mirror* and other newspapers to persuade those who are eligible for rate rebates to apply for them. In encouraging the Government to modernise its reception and treatment of the poor, pressure groups, like the Child Poverty Action Group, Shelter and the Disablement Income Group, are playing a useful role. But in a rapidly developing society this may be no more than moving a little faster to stay in the same relative place in the nation's hierarchy, of status, treatment and reward.

## the third objection to selectivity

There is a final question for the reader to bear in mind. Would a major extension of the principle of selectivity in the social services make society more or less unequal? My own answer to this question might be expressed in the following general terms. The fatal objection to a policy of extending selectivity is that it misconceives the nature of poverty and reinforces the condition it is supposed

to alleviate. The policy assumes that poverty is an absolute condition, a lack of a minimum subsistence cash income, which requires little more than the diversion of a minute proportion of national income in an efficient manner to alleviate. It fosters hierarchical relationships of superiority and inferiority in society, diminishes rather than enhances the status of the poor, and has the effect of widening rather than of reducing social inequalities. Far from sensitively discriminating different kinds of need it lumps the unemployed, sick, widowed, aged and others into one undifferentiated and inevitably stigmatised category. It distracts attention from the problems of improving the quality of public services and of expanding the resources available for the general welfare of the community. It also assumes that the circumstances of the poor can be greatly improved without changing major social institutions and severely limiting the opportunity of the prosperous sections of the population to accumulate more privileges.

Instead, poverty has to be regarded as a relative condition, as a lack of the physical assets, housing standards and environmental and occupational facilities as well as the cash incomes which are needed to allow people to participate in activities and customs, including the dietary customs, which are normal in that society (discussed in my Fabian essay, "Poverty, socialism and Labour in power", *Socialism and affluence*, 1967). For it to be alleviated there has to be a complex reconstruction of the systems of reward in society, as between those at work and those who are not at work, those with and without dependents, and those who live in depressed and prosperous regions. Primary in this reconstruction would be the reform of the tax and social security systems, but much would also depend on the gradual recasting of the housing, education and employment systems, including income differentials as well as workers' participation in management. The strengthening of individual rights, through new forms of political representation and the revision of the law, though difficult to put into effect, would be crucial. Only by recognising that our social structure is a rather rigid network with very distinct class "levels" (typified even within "selectivity" itself by the more generous system of means tested university student grants than of school educational maintenance allowances) can we begin to discern the scale of the reconstruction required to abolish poverty.

Perhaps these conclusions are strongly expressed. Certainly their force would vary according to any particular example of selectivity that might be brought up for discussion. But in terms of the diagnosis of the problem, the methods of remedying it and achieving a better society I submit that "selectivity" represents an extremely limited and inadequate social philosophy. For it reinforces the divisive structural characteristics of existing society instead of integrating them in the interests of distributing resources and opportunities more equally.

# 2. local authority means-tested services

Mike Reddin

Much of the current debate on selectivity appears to start from the assumption that means testing is a thing of the past. Thus it is suggested that those who now argue for increased selectivity are seeking to resurrect a long dead spirit which was laid to rest with unemployment assistance and the Poor Law. In fact its formal reaffirmation came with the post war legislation of a government which bore proudly the banner of universalism. This current Labour government has introduced two further means tested schemes, for Rate Rebates and for the supply of contraceptives under the Family Planning Act. It would seem that all of the major political parties can be said to have an interest in their continuance and even their extension. Divergence in political opinion is rather concentrated on the uses to which selectivity is to be put, the fields in which it should be allowed to operate and, most important, the extent to which selectivity is seen in the positive role of providing more resources for the poor or as a simple device for reducing expenditure. The undercurrent of feeling which is apparent in the majority of current "liberal" and Conservative publications on the subject, is that selectivity would provide us with "welfare on the cheap". It is a debate centering not on redistribution but on retrenchment and reduction in public expenditure. A debate which ignores the highly anti-selective incidence of tax allowances, whether for life assurance, mortgage interest or dependent children.

Furthermore, this is a debate which until very recently has been conducted without any realistic enquiry into the current operation of selective means tested systems, their utilisation or their value to recipients. To conduct this discussion without serious consideration of current and past experience in a society literally riddled with means tests, makes a nonsense of "social planning" and considered social policy. It is suggested that we would do well to inspect what we have around us. The Ministry of Social Security operates at national level perhaps the most extensive means tested system in the world. At local authority level means tested schemes are myriad. Their administration reveals much which is of direct relevance to the wider discussion of the virtues and evils of selectivity.

For most of us this means tested world does not exist or is seldom experienced. It is a world primarily inhabited by the poor. The middle class versions of the means test, such as that for university grants, tend to be more civilised and socially acceptable devices than anything to be found amongst the lower income groups. An exploration of this range of means tests is akin to some voyage into the underworld—with snares on every side and confusion at either hand.

What follows will be a speedy passage through a variety of schemes administered by local authorities in England and Wales. The information quoted stems primarily from research conducted by the writer over the last two years into

the value of benefits paid to families living in county boroughs; families with exactly the same incomes, commitments and dependants, whose benefits from such schemes will vary depending on where they live. Variation is in fact the keynote of all that is to be seen in looking at such means tests, so that any summary must be generalised. With this cautionary prelude we can proceed.

## how many means-tests?

The figures set out below are an attempt to assess the total number of means tests currently administered by local authorities. Information on this matter is incomplete, but the figures do indicate the magnitude of the situation—which is, of course, by no means static.

LOCAL AUTHORITY MEANS TESTED SCHEMES

| | county boroughs | county councils | London boroughs | other authorities | total |
|---|---|---|---|---|---|
| rents† | — | — | — | — | 565 |
| domestic help* | 80 | 58 | 33 | — | 171 |
| day nurseries‡ | 56 | 30 | 33 | — | 119 |
| children in care | 82 | 58 | 33 | — | 173 |
| educational maintenance | 82 | 58 | 1 | — | 141 |
| boarding education | 82 | 58 | 1 | — | 141 |
| uniform grants | 82 | 58 | 1 | — | 141 |
| school meals | 82 | 58 | 1 | — | 141 |
| university awards | 82 | 58 | 1 | — | 141 |
| total authorities | 82 | 58 | 33 | 1277 | 1450 |

† The ITMA housing statistics for 1963-64 (based on a 75 per cent response) showed that 39 per cent of all housing authorities operated "full differential rent schemes"—these would all involve a means test. There were 1,450 housing authorities at this date so we can assume that at least 565 had means tested schemes although this number has increased dramatically since then.

* Assuming all have a means tested service except two boroughs known to have a free service.

‡ Assuming all authorities providing day nurseries use a means test. The ITMA health statistics 1964-65 showed that 56 out of 82 county boroughs had day nurseries; 23 out of 43 county councils had day nurseries—assume about 30 of all county councils at this date and all London boroughs have day nurseries.

The figures in the table show an overall total of 1,733 means tested schemes. Each of these means tests is unique with the exception of a small number of educational maintenance allowance schemes (where several neighbouring authori-

ties use the same scales), and a considerable proportion of the boarding education schemes, and the national scales for school meals and university grants. If we subtract the school meals and university grant schemes we have a total of 1,451. We might also legitimately group together the London Borough schemes for the health services which follow the uniform standards of the former LCC, and thus exclude these or count them as one. But our original total is true for the number of means tests administered, and this is of relevance if we are to consider administrative costs.

We can add to this figure the national rate rebate scheme as administered by the 1,413 rating authorities in England and Wales bringing our overall total up to 3,146. In addition charges may be made for the services which may further involve means testing at the discretion of the authority. The details of these schemes are given in the table on the next page.

Of these means tests, one is applied for residential accommodation for the aged (welfare) and is in operation in all welfare authorities (173); the direct grant school scale (education) will be operated by all education authorities who send pupils to such schools (a possible total of 141). We do not know how many health authorities make charges, or on what basis, for the range of services listed under health. This is by no means a complete list, more exist, but we shall leave them to rest in peace. There are doubtless others as yet undiscovered. Omitted are those non-county boroughs with delegated health or welfare functions who operate domestic help services, and so on, and who may thus administer means tests for those services.

Thus, although a crude and imprecise picture, we gain some idea of the magnitude of the problem. Each of these means tests requires some form of income verification (usually involving the employer making a statement of the employee's earnings over a period of weeks or months), and each applicant needs to be re-assessed at varying intervals. Scales need to be revised, rates of charge or rates of benefits increased. Local authorities are, therefore, responsible for administering at least 3,000 means tests, of which some 1,500 are unique. Some 1,500 definitions of poverty, financial need and ability to pay; ability to pay some 1,500 different rates of charge or contribution; need to receive some 1,500 different rates of benefit.

## structure and administration

Obviously only the most fastidious migrant will ever face this complete battery of schemes. We are not suggesting that these impressive numbers affect any one individual or family, but the total number involved is worth contemplation if

OTHER LOCAL AUTHORITY MEANS TESTED SCHEMES

| service | scheme |
|---|---|
| health* | dental treatment for expectant and nursing mothers (22) |
| | meals for expectant and nursing mothers and their children (22) |
| | nutrients and other articles supplied on sale (22) |
| | food and clothing for tuberculous persons (28) |
| | articles supplied on loan to tuberculous persons (28); and non-TB persons: equipment for premature babies (22), other equipment (28) |
| | foot clinics (28) |
| | holidays in recuperative establishments: fares and maintenance allowances for (i) expectant and nursing mothers (22); adults (28). (ii) infants under 6 months admitted with mothers (22). (iii) children under 5 years (except (ii) above) not attending school and children attending schools not maintained or aided by the council (22). (iv) children attending schools maintained by the council (22) |
| | mothercraft training establishments (22); long term residential care for persons suffering from mental disorder (28); and short term care of mental defectives in cases of urgency (28) |
| | post hospital rehabilitation of ex-TB patients in village settlements and colonies—maintenance (28) |
| | hostels for the tuberculous (28) |
| | child help (29) |
| | occasional creches (22) |
| | rehabilitation of mothers (22); attendance at a recuperative centre (22) |
| | occupational centres—milk supplied to mentally subnormal persons under the age of 16 (28) |
| | contraceptive appliances (National Health Service (Family Planning) Act 1967) |
| education | remitted fees at direct grant grammar schools (a national scale) |
| | board and lodging where necessary to enable a pupil to attend a suitable maintained school |
| welfare | residential accommodation for the aged and infirm (national scale) |
| | charges for temporary accommodation |

* chargeable services under the National Health Service Acts, 1946-52; relevant section of principal Act appears in brackets).

we should consider attempting to reform and simplify this system. The number is also important when we recognise that each has involved an independent attempt (by each department in each authority) to determine what income should be assessed, the allowances to be set against income (gross or net) for dependants, for expenses such as housing costs, hire purchase commitments, insurance con-

tributions, and so on, together with the rate of charge to be levied or the rate of benefit to be paid as income and expenditure varies. Each scheme, if it is to be utilised, must be effectively publicised, which involves not merely informing people that a scheme exists, but the presentation in a comprehensible form of the precise basis on which they can themselves assess their eligibility. Publicity in this field is virtually non-existent. The recent attempt to publicise the scale for free schools meals (and the previous rate rebate scheme leaflet) are the notable exceptions, but this was only possible because the scales concerned were standardised, and publicity was effected by the central government. The only other important exception to this general non-publicity rule, is in rent rebate schemes, where many authorities do issue explanatory leaflets to their tenants. This situation seems to have arisen principally because the introduction of such schemes has usually accompanied a major review of rents. The scale of administrative costs and effort involved, particularly in the day to day assessments, re-assessments, checks on income and changes in income, is difficult to calculate without detailed study. The costs in time and perplexity on the part of the potential recipient (and his employer) would need to be added to any such figure if we were seeking to make such a calculation of total cost.

## the value of means-tested benefits

The benefits to the recipient vary considerably. A series of "model families" was used to explore the range of benefits and charges in operation at the end of 1966. This exercise involved the creation of "model families" which by their age structure and circumstances could apply for all the major means tested services. These families, with incomes, age of children and commitments precisely defined, "applied" for the services in each county borough in England and Wales. The results indicate something of the variation which exists as between different local authorities. The figures quoted here are for families consisting of father, mother and four children aged 8, 11, 16 and 18. All income is earned by the father or received as family allowances. Incomes are gross and family allowances should be added to them. All the children are in full time education. Families are referred to as A4 (gross income £10 per week), B4 (gross income £15 per week), C4 (gross income £20 per week). The sole "expense" which was specified was rent of £2 per week for family A4, £3 for family B4, and £4 for family C4. The range of benefits to these families was as follows:

*Education maintenance allowances*: Authorities were asked to state the education maintenance allowance payable to the 16 year old child in these families. The maximum annual allowances payable to this child in different authorities ranged from £40 to £115 for family A4, from nil to £105 for B4, and nil to £65 for C4.

*Assistance with boarding education*: The maximum rate of grant payable annually to support a 16 year old child at boarding school (fees £250 per annum) was £250 in all authorities for family A4, from £199 to £250 for B4, and from £147 to £250 for C4.

*Rent rebates*: The level of rebate is obviously directly related to rents. In these calculations each authority operating a rebate scheme was asked to use the average net rent payable for a post war three bedroomed house in its area. (This "net rent" was applied to all families, A4, B4 and C4). The value of the rebate is stated as a percentage of this rent figure. Weekly rebates ranged from nil to 84 per cent of the net rent for family A4, from nil to 56 per cent for family B4, and from nil to 26 per cent for family C4.

*Domestic help*: Families as previously defined but with their children aged 3, 4, 8 and 11 (families referred to as D4, E4, F4). The authority was asked to state the charge payable by each family if they received domestic help for 20 hours per week. These charges frequently vary for "short term" and "long term" cases and may also depend on the reason for application; there were sometimes different rates for sickness or maternity cases). Rates of charge per week (of 20 hours) ranged from nil to £2 10s for family D4, from nil to £5 for family E4, and from £1 13s to £5 for family F4.

*Day nurseries*: The daily charge (excluding meals) for a 3 year old child attending a nursery ranged from nil to 10s for family D4, from nil to 10s for family E4, and from 2s to 12s 6d for family F4.

These figures are presented simply to illustrate the extent of variation between authorities. No attempt is made at this point to say whether these rates are justifiable, too low, too high, or irrelevant to the services with which they are concerned. The conclusion to be drawn at this stage might be that grossly different criteria of adequacy are in operation, and that these variations bear no perceptible relationship to local differences in need, incomes or costs which might have been some justification for such variance. One further point of particular relevance is the (presumably unintended) difference in treatment of the employed and the non-employed. The £10 per week and the £15 per week families are in fact living on incomes below the then National Assistance Board rates. While in employment these are the charges they will pay or the benefits they will receive; yet, if unemployed most authorities will levy a nil charge or give maximum benefit. Thus, the move from employment to unemployment or vice-versa can have a substantial effect on the costs and benefits of these services to families. The reason for this appears to be that authorities assume their assessment scales to be at least as generous, if not more so, than those operated by central govern-

ment. For instance, a report on home help service charges by the Health Committee of the Association of Municipal Corporations in 1960 concludes: ". . . it would be contrary to the whole record of social service administration in local government for local authorities to be less generous than the central administration." In reality this situation frequently occurs.

Some other issues which should cause concern in considering local authority means testing, and the same considerations apply to the additional multitude of central government means tests, are worth mentioning here. First, the interrelationships between means tests and scales of benefits for services which are closely associated. Is it logical that a family with an income of some £700 per annum is judged "affluent" and ineligible for award by most local education authorities, if they should apply for an educational maintenance allowance to keep their child at school? Yet if that same child gets to a university his parents are judged "poor" and will receive the maximum rate of grant? Thus, the family may well receive no assistance in keeping their child at school to a point where he can meet university entrance requirements but maximum support once he has made the grade! No – reached an age where it is socially undesirable for him/her to be dependent on parents.

A second problem in this same context involves the effects that these multiple assessment systems have on one another. Virtually all of these means tests "ignore" each other. Insofar as parental contributions are concerned, for example, towards payment for a domestic help or payment for school meals, and similarly for benefits from other means tested schemes, these are largely ignored when assessing incomes and expenditure. This is important because the lack of relationship between means tests within any one authority can produce a situation in which a rise in the family's income can lead to a disproportionate fall in benefits from several means tested sources. Remember again that the majority of these means tests apply to families within a relatively narrow band of income, and that it is perfectly feasible for any one family to be "involved" in five or six of these schemes at any one time.

This situation is often exacerbated by the different "tapering effects" or "steps" on several scales, so that the incentive/disincentive effect can be severe. Again one can only conclude that to examine these schemes in isolation one from another is of little value. We should be concerned with cumulative effects, whether these involve benefits or losses to the recipient. And this "cumulative" approach should, of course, include the relationships between these local authority schemes, those administered by the central government, and the whole network of social security and social policy.

All that has been said so far is merely a statement of what currently exists.

There are obviously numerous ways in which this current pattern of variation and its concomitant confusion could be altered. However, the major lessons to be drawn from any such over view of local authority means testing are not merely those of the need for rationalisation and really critical appraisal of the role of such schemes. The real cause for concern should centre on two problems which can be headed *utilisation* and *evaluation*.

The extensive under utilisation of such benefits as rate rebates and free school meals is probably but a very small segment of a larger problem. Recognition of the under utilisation of free school meals is like seeing the tip of an iceberg; particularly so because it is identifiable. The reason that we can make estimates of non-uptake in this service is because the free meals scale is almost exactly the same as the supplementary benefits scale. Reasonable knowledge of the numbers of children in families at supplementary benefits level makes such a comparative calculation possible although by no means simple. But this situation is by no means typical. For all other means tests and selective benefit systems this is a crucial issue. How can we ever assess the extent of utilisation of a service if we have no idea of the number of potential recipients? How can we evaluate the effectiveness of a service in reaching the group at which it is directed if we have no index of the numbers involved and, most important of all, when we are dealing with income related benefits, no knowledge of the numbers whose incomes and circumstances place them at that "eligibility level". And when this "eligibility level" varies from one family to another, from one service to another and from one authority to another, what then are our chances of evaluation? Problems of evaluation and this specific problem of utilisation should be our prime concern when we wish to consider the continued use and possible extension of selectivity.

To summarise: our recently revived interest in the under utilisation of means tested benefits will, it is hoped, lead to a continuing concern with the utilisation of all social services and all social legislation. We have been slow to recognise that the passing of laws and the making of regulations does not contain any guarantee that the community, as a whole, or particular groups within the community, will make use of the services provided under such legislation. The general ruling that "ignorance of the law is no excuse" may be realistic and necessary to make the administration of law possible, but it also serves as the ultimate escape clause for the law giver and those who should be encouraging utilisation. We have long recognised that "permissive" legislation (in the social services in particular) may be merely a way of ensuring that little or nothing be done about a specific problem.

The means tested service is frequently permissiveness in a subtler guise; a sop

to our concern for the poor. Yet, even by making it obligatory for a service or benefit to be made available we still do not guarantee its utilisation. A far more positive and active approach is needed generally, both actively to inform potential consumers of services, and to ensure that the process by which they can claim their entitlement, whether cash benefits or services, is both comprehensible and socially acceptable. The demand for publicity recognises that each means test is, in the final analysis, a secondary tax system. If nothing else can we continue to tolerate tax systems whose rates and methods of assessment are treated so secretively? Our concern with means testing should not be solely a concern with stigma and administrative perplexity, much more we should be aware of the wider implications of "unchecked" systems, and the consequences for both recipient and administrator.

# 3. selectivity in family allowances

Peter Kaim-Caudle

Academics, especially economists, have advocated selectivity in the provision of social services for the last twenty years. Until recently, however, politicians considered selectivity in any of the major social services as outside the realm of practical politics. The result of the General Election in 1966 seemed, at the time, to have decided the issue in favour of universality or in favour of, to use a more attractive phrase, "communal services as a badge of citizenship". Changes in the economic climate over the last eighteen months have led to changes in ideas. These were well expressed by Douglas Houghton, until January 1967 the member of the Cabinet in charge of the co-ordination of social policy: "There appears, however, to be a noticeable shift in public opinion towards bringing improved benefits to those most in need; away from 'universalism' to 'selectivity'. The poor and needy, it is said, get inadequate help because of the costly and wasteful spread of higher benefits over all, irrespective of actual requirements. This criticism is heard every time there is a general increase in National Insurance benefits, and all the time in relation to the National Health Service . . . Of the several possible remedies for this situation [the existence of substandard income families] the one which found least favour with public opinion seemed to be all round increases in family allowances. The usual criticism of 'across the board' increases were heard—that the butter would be spread too thinly to bring real help to those in need, and that it would be wasteful of resources to give to parents of over six million children higher family allowances mainly to meet the needs of barely one tenth of them" (*Paying for social services*, p10—11, Institute of Economic Affairs, 1967). The language is guarded but the meaning is clear. The evidence for the changes in public opinion may be biased, patchy and incomplete, but all the same, as at present, the opponents of selectivity are on the defensive.

If the Government departs from universalism in family support it will confirm the trend of government policy towards more selective social security. In the field of social policy this is an issue of great importance. It is, all the same, a matter of comparatively minor significance in determining the level and quality of communal services in the years ahead. This will depend not on any decisions in the field of social policy but on the growth of the economy, increases in exports, higher productivity and stability of incomes. A successful economic policy is a prerequisite for an expansion of communal services. In theory a redistribution of wealth and/or income could be the basis of such an expansion, but in the real world this is hardly likely to happen on a significant scale.

## taxation

Before discussing selectivity I will refer briefly to two cognate matters. Public social services are financed by compulsory levies; these may be taxes, rates or

insurance contributions. The nature and level of taxation as well as the efficiency of tax administration are important factors in influencing expenditure on communal services. The same people who in general are antagonistic or, at best, indifferent to social service provision also complain forcefully that present tax levels are too high. In February 1968 the Confederation of British Industries in their pre-budget advice to the Chancellor of the Exchequer advocated a reduction of rates for surtax, income tax, corporation tax, capital gains tax and estate duty as well as the abolition of selective employment tax. They plead that high tax rates discourage effort, saving and enterprise. Here again, the evidence for these views is biased, patchy and incomplete, but continuous repetition is implicitly assumed to prove the validity of these assertions. One thing, however, is certain, high tax rates do not merely encourage legal tax avoidance but lead to illegal tax evasion on a large scale. The extent of such evasion in its nature cannot be known, but amongst people working in this field it is widely believed that the sums involved are considerable. It may well be that the present administration of tax assessment and collection is not suited to modern needs. The policy appears to be that uncovering under assessment does not lead to criminal prosecution but to a settlement, possibly including a fine, in the inspector's office. A man who renders a fraudulent tax return to an HM Inspector of Taxes need not fear that he endangers his social position or standing in the community if his fraud is discovered. Nay, if he is found out not even his wife need know about this mishap. In the year 1965-66 the Inland Revenue brought 127 prosecutions, including 14 in respect of PAYE under deducted from remuneration of employees; 80 in respect of false claims to personal allowances, deduction for expenses, etc.; 12 for presenting false accounts and 19 for theft of payable orders (*109th report of* HM *Commissioners of Inland Revenue,* Cmnd 3200, HMSO). In the same year HM Inspectors uncovered some 45,000 cases of under assessment, the actual number must have been very much greater. The knowledge that tax evasion, if discovered, leads to prosecution (in much the same way as traffic offences) might well encourage tax honesty as well as tax receipts. In any case, widespread tax evasion, such as the complicity of employers and their employees to understate earnings, has a demoralising effect.

## professional pressures

The second matter to which I wish to refer is equally indelicate. In the administration of social services the interest of the providers of services appears to be in most cases paramount over the interest of the beneficiaries. The introduction of prescription charges of 2s 6d per item for people aged between 15 and 65 excluding the chronic sick, was considered by a large number of socialists as outrageous and a betrayal of socialism. The same people, however, did not feel called upon to protest quite as bitterly when the "doctors' charter" was

introduced in 1966. The implementation of the charter has led to a deterioration of family practitioner services for many patients. There is the gradual change from evening to afternoon surgeries. This has meant that many people who visit the doctor for minor ailments have to take "time off". For the wage earner that may lead to loss of pay; in any case it does not help productivity. The closing of branch surgeries saves the doctor's time and is said to improve standards of medical care, but it involves many patients in lengthy and expensive journeys. The "appointments system" for old people who cannot use a phone or are not within easy reach of a phone, has severe disadvantages. They may have to make one call at the surgery to arrange an appointment and a second call to see the doctor. The phrase "doctors' charter" is apt—it was not meant to be a "patients' charter".

It is not fair to single out general medical practitioners, other professions in the social service field are much the same. Most dentists are nine to five, five day week men, school dentists are generally most reluctant to work with dental auxiliaries. Teachers protest against the employment of not fully qualified staff, object to working with auxiliaries in their class rooms and are disinclined to supervise school meals—a loco parentis function par excellence. Social workers are a new profession and are not yet fully organised. However, they are making good progress.

## ascertaining the facts

Family allowances and child poverty have been much in the news recently, and the literature in this field has been growing correspondingly, The book *The poor and the poorest*, by Professors Abel-Smith and Townsend, made a wider public aware of the extent of poverty amongst children. The results of an official survey published by the Ministry of Social Security under the title *Circumstances of families* broadly confirmed these findings and provided a considerable amount of additional information. The report contains 75 tables. The Child Poverty Action Group presented a memorandum to the Prime Minister in 1965 which was revised in a memorandum to the Chancellor of the Exchequer in 1967.

Most of the relevant facts about child poverty are well established. Some are quite easy to ascertain without any special survey or inqury. This is the case for the most important figure, the number of children whose fathers are in full time employment and who all the same live at or below the supplementary benefits standard. Both inquiries undertaken by the Ministry of Labour from employers, and questions asked in the Family Expenditure Survey of employees, show that amongst male manual workers in full time employment, the lowest decile earn some 68 to 70 per cent of the median wage, and that the median is almost

dentical to the mean (A. R. Thatcher, "The distribution of earnings of employees n Great Britain," *Journal of the Royal Statistical Society*, vol 131, pt1, 1968). This percentage is remarkably constant and has not changed significantly over he last eighty years. It is equally astonishing but well established that the same percentage also applies to full time male clerical workers, where the lowest decile also earn about 70 per cent of the median wage.

n recent years the national assistance scale plus average rent for a married couple having three children (age 4, 9 and 14) has been approximately the same as the lowest decile wage of male manual workers. If it is assumed as a first approximation that the mean earnings and the distribution of earnings of men having three or more children is the same as that of all men, it can be deduced that 10 per cent of all children in families having three or more children live at or near the suplementary benefits level. It should be noted that the earnings of the lowest decile of all adult male employees in full time employment are only 4 per cent higher than the earnings of the corresponding manual workers. This gives a figure of about 600,000 children. The above assumption is not contradictory to the findings of the *Circumstances of families* report. The same technique can be applied if the supplementary benefit level for families having three children should at any time not coincide with the decile wage, or if it should be assumed that the mean wage for fathers having three or more children differs from that of all men. In either case can the corresponding quantile be ascertained by interpolation. Some idea of earnings of men by number of dependent children can be gained from the Family Expenditure Survey. This is not the place to discuss in detail techniques of making estimates. The intention was merely to show that reasonable estimates can frequently be made easily and speedily without undertaking detailed periodic inquiries.

## aid to families

The state aids parents in the rearing of their children in a number of ways. In the table overleaf an attempt is made to quantify the value of assistance received in 1965-66 by parents who had two children and an income of £24 per week—the approximate average income of such a family in 1965. The figures are meant to show orders of magnitude, they are not to be taken as being strictly accurate. It shows quite clearly that family allowances are a small percentage, say 4 per cent, of the aggregate assistance received by such a family. Education accounts for well over half and is by far the most expensive item. Health services and the school meals subsidy are also of greater value than the family allowance. The school milk which in secondary schools is to be discontinued in September 1968 accounted for about 1 per cent of all aid received. Not all children benefit equally from state aid. The family where the father earns

AID TO PARENTS FOR EACH OF TWO CHILDREN AGED 11-16

| | £ per annum | sh. per week | |
|---|---|---|---|
| secondary school | 140 | 54 | inclusive cost per child |
| school meals | 13 | 5 | 1s 3d per meal for 200 days |
| school milk | 3 | 1 | a third of a pint for 200 days |
| health services | 20 | 8 | average per head |
| family allowances | 10 | 4 | 8s per week for second child |
| income tax saving | 58 | 22 | £140 at 8s 3d in the £ |
| total | £244 | 94 | |

source: P. R. Kaim-Caudle, *Aid to families,* Institute of Municipal Treasurers and Accountants, 1967.

some £35-£40 per week will in general benefit most. The higher income groups will on average receive rather less, as some of them opt out of state education and as their children will not receive the full maintenance grants for higher education. The lower income groups will benefit less as their children tend to leave school earlier and their income will often be insufficient to take full advantage of child tax remissions.

It is interesting in passing to note for different income groups the approximate value of aid to parents for each child throughout its period of dependency. This was in 1965-66 some £1,800 for a £12 per week family, some £3,200 for a £24 per week family and some £7,000 for a £36 per week family and some £4,400 for a £72 per week family. These estimates are based on a number of arbitrary but not unreasonable assumptions (P. R. Kaim-Caudle, *Aid to families,* p5). They apply to a typical, not to an average family. Even if they are somewhat off the mark there can be no doubt that the better off benefit more from state aid than the less well off. This is mainly due to the length of a child's full time education varying directly with parental income. Even family allowances benefit the rich more than the poor. The age limit now is 19—the typical child in a poor family starts work at 15.

## child tax allowances

Family allowances and child tax allowances have one feature in common; both aid the parents in the rearing of their children and, looking at the reverse side of the coin, both are a burden on the public purse. Family allowances are public expenditure, tax allowances are negative public revenue. In all other respects, however, the two are quite different. The purpose of the child tax allowance is to equalise ability to pay tax of people who have children and those who do

ot have children. Thus the man earning £3,000 per annum who has three hildren under 11 pays the same tax as a married man earning £2,655 (£3,000 ∴ss 3 x £115) who has no dependent children. The actual tax remission is £47 er annum or 18s per week (£115 at 8s 3d in the pound) for each child. For ıe purpose of equalising taxable capacity this is quite inadequate. No man an possibly keep a child of 10 for 18s per week. The supplementary benefit cale for a child of that age is 30s, therefore the child tax allowance is a mere 0 per cent of the supplementary benefits scale. It might be argued that a 3,000 per year man need not keep his children on the tax remission he receives ı respect of them; he has a sufficiently high income to care for his children /ithout aid from public funds. This argument is irrelevant and based on misnderstanding, the crucial point is that a man with three children at that level f income is taxed too severely relative to a man with the same income but o dependent children. RUBBISH Why encourage a popn explosion?

'he higher the level of taxation the greater is the need for the most equitable ystem of taxation which can be devised. Protagonists of high tax levels hould be quite as much concerned with equity within income groups as /ith equity between income groups. At the present time we overtax the family ıan, indeed compared with people (married couples, bachelors or spinsters) /ithout children, he now is more severely taxed than in the 1930s. This is the ase in spite of the recommendations of three Royal Commissions that child ıx allowance should be raised and be proportionate to income with a floor nd a ceiling (*Equal pay*, cmd 6937; *Population*, cmd 7695; *The taxation of rofits and incomes*, cmd 9105, HMSO).

## he first proposals

'he first proposals to apply the principle of selectivity to family allowances, ather than to specific services, came from the Child Poverty Action Group. 'hese were made in a memorandum to the Prime Minister in 1965 and were rastically revised in a pre-budget memorandum to the Chancellor of the ;xchequer in 1967 ("Family poverty," *Case conference*, vol 12, no 10, April, 966; "Memorandum to the Chancellor of the Exchequer," *Poverty*, no 2, pring 1967).

'he 1965 memorandum contained two alternative schemes. The first was to bolish child tax allowances and to replace the existing family allowance by ıx free allowances of 10s per week for the first child, 25s for all subsequent hildren under 16 years, and 35s for any child over 16 undergoing full time ducation. The second was a "tax adjustment" by which families below the tax aying level would receive direct payments through the PAYE system equivalent

to the value of the tax relief from which they were unable to benefit. Family allowances were to be extended to the first child in the family, but tax relief for the first child was to cease and for subsequent children was to be increased from £115 to £175 per year. The purpose of these proposals was to show "how the poverty of low income families may be alleviated by a redistribution of allowances within the present system. It is believed that this could be done as shown, with relatively little cost to the Exchequer . . ."

Both of these schemes aimed at helping those in greatest need without giving aid to those who were not considered to be in need. In essence both advocated higher allowances to families with low incomes or exceptionally large numbers of dependent children, at the expense of smaller and better off families. The effects of the two schemes were not very different. Under the first, the overwhelming majority of the 2.9 million one child families would be worse off. Parents earning a mere £18 per week were to lose 7s per week, at a time when the average household income was £24 12s per week. Proportionately rather fewer, but still the great majority of the 2.3 million two child families would also be worse off. Most of the 600,000 families having four or more dependent children would have benefited. Parents earning £10 per week who have four children would have gained 53s per week.

The Group thought of tax allowances as an assistance and was quite unconcerned with the important issue of equity within income groups. This made them advocate the removal of assistance which they considered unjustified on the basis of need and appear to absolve them from enquiring why the eminently desirable increase in family allowances for the poorest should be financed virtually entirely by other parents of dependent children. Why by parents and not by cutting the road building programme, or by increasing taxes on the private motorist?

In any case reducing benefits to most of the 5.2 million parents of one or two children—a substantial proportion of whom have incomes below the national average—could not be an attractive proposition to any political party.

The revised proposals submitted in the 1967 memorandum took account of both these objections. They advocated that family allowances should be tax free, be increased and be graded by the age of the child. For first children under 11 years they were to be 18s per week, 11-16 years 22s, over 16 years 26s, plus 6s 6d for second and subsequent children. Tax relief for children was to cease. These proposals set out to achieve that "any change in the existing balance between family allowances and tax reliefs for children, should, if possible, leave the net income of the standard rate taxpayer with children substantially unchanged.

'amilies below the standard rate taxpaying level would gain more in family llowances than they would lose in tax reliefs. . . . A reform of this kind would ot be financially self balancing. Any consequential increase in taxation, however, hould fall mainly on single persons and childless couples rather than on families vith children."

'he revised proposals were thus both more equitable and more practical in olitical terms. As they give increased assistance to those whose need is greatest vithout increasing assistance to others they may be said to be based on selectivity. 'hey represent, however, not a genuine dynamic selectivity but rather a "once or all" variety. Any future increase in family allowances rate, whether in real r merely in money terms, would have had to be universal. For this reason he scheme had the great advantage of not discouraging effort as is the case vith genuine selectivity schemes.

'his memorandum seems to have had an influence on government policy as well s on Sir John Walley's child endowment plan, which is discussed later on.

## electivity and incentive

Already the principle of selectivity is applied in a good many fields, leaving side supplementary benefits which are not paid to men in full time employment, he most important are the award of free school meals, rent rebates and rate ebates. These schemes have some good and bad features, but all of them end to reduce the desire for higher income. This point is best illustrated by number of examples. According to the Rent Rebate scheme advocated in the Ministry of Housing and Local Government circular no 46/7, a married couple vith three children living in a house which has a standard rent of 55s per week nd a minimum rent of 15s would lose 3s 4d rent rebate for each £1 by which heir income rises between £11 and £16, and 5s for every £1 of income between 16 and £20. The same man, if his local rates come to £30 15s for six months, vould lose 5s rates rebate for each £1 by which his income rises between £14 10s nd £18 10s. When his earnings exceed about £15 10s his children will lose their ree school meals. If they continue to take them, which is most unlikely, this vill increase his expenditure by 15s per week. On top of all this, he will have o pay 11½d in the £ graduated pension contribution for each £ earned between 9 and £18. To sum up, this man, if his earnings increase from £15 to £18, will ose 15s worth of school meals, 13s 4d in rent rebate, 15s in rate rebate, and will ave to pay an additional 2s 10d in graduated contributions, a total of 46s 2d. n 60s, say 15s 4d in the pound. Even if he lives in a cheaper house and pays ess in rates, a large slice of his extra income will be offset by the reductions n benefits on the selectivity principle.

Many people who refer to themselves as "non-political" argue that high margina rates of income tax (6s 5d in the pound) discourage the rising young executive earning, say, £2,000-£2,500. This view is erroneous. At this income level, lik any other, people desire to increase their net income, but at that level, thei conduct is also influenced by many other considerations, such as the possibilit of promotion, prestige, getting the better of the other fellow, power and possibl even by job satisfaction. For the men earning £15-£18 per week all these influ ences hardly exist. At that level the overwhelming reason why men are willin to work harder is to have more money to spend on Friday. Discouragement fo the low income earners caused by high marginal taxes (or loss of benefits) i almost certainly greater than for middle class executives.

In a debate in the House of Commons on family allowances on 24 April 196 several speakers suggested that disincentives for low paid workers are irrelevan as they had no opportunity of increasing their earnings even if they desired to dc so. This seems inprobable The *Circumstances of families* survey "provided nc evidence to suggest that fathers of large families earned more or less than father of small families" (para 77) but found that "fathers of large families workec on average longer hours than fathers of small families" (para 94). There are several ways in which even an unskilled man can increase his earnings besides working longer hours, such as working night shift, travelling farther to work moving to another town, undertaking more arduous work. There are, of course also other ways which Ministry of Social Security officers are not likely to hear about, but these are encouraged rather than discouraged by "selectivity".

## negative income tax

Professor Lees in the article referred to above acknowledges the difficulties of applying more selectivity as long as means tests are "personal, discretionary and on the initiative of the recipient of benefit". He therefore advocates following the American economist Milton Friedman, the application of selectivity in family support by introducing a negative income tax. "In essence the scheme would be simple. At present anyone with an income in excess of income tax allowances and exemptions pays tax at some specified rate. To this would be added a system whereby anyone with allowances and exemptions in excess of income would receive benefit payments at some specified rate. The benefits would be a form of negative income tax and would supplement family income in an anonymous, automatic way at the initiative of the government" (*Poor families and fiscal reform*, p10). Professor Lees suggests a negative tax of 10s in the pound, but the validity of his case does not depend on any particular rate. It is again best to illustrate the scheme by an example. For a married couple with three dependent children under 11 the personal allowances for Income Tax are £685, assuming

ı income of £400 per annum the two-ninths earned income allowance is £88 ıd the aggregate allowances are £773. This is £373 in excess of his income and ould entitle him to a negative tax of £187. When his income rises to £450 his lowances will be £785 (two ninths of £450 plus £685) and his negative tax will ecline to £168, a reduction of £19 due to a £50 increase in income, equal to ı effective rate of about 7s 9d in the pound. The nominal rate of 10s and the fective rate of 7s 9d correspond to the present standard rate of 8s 3d, which reduced by the two ninths earned income allowance to 6s 5d.

he negative income tax has the advantage that it gives most help to people hose need is greatest, but it is able to do this effectively only by having a high ıte of negative tax. If the rate is low the allowance (negative tax) becomes inade- ıate, but if the rate is high it will, like all other selectivity schemes, discourage ıe desire to earn more. Under Professor Lees' scheme a man having three ıildren would lose 7s 9d negative income tax for every pound increase in ırnings up to £17 per week. For earnings above £9 he would also have to pay early one shilling in the pound graduated pension contribution. An effective ıarginal rate of tax of 8s 9d at that level of income appears quite excessive. eople earning £50 per week according to the CBI are discouraged by an effective ıarginal rate of a mere 6s 5d.

o superimpose the negative tax on the multiplicity of means tested allowances, bates and remissions would lead to quite fantastic results. The low paid orker might actually increase his "net benefits" (value of income plus value of lowances and rebates) by earning less. At present the large number of authori- es imposing means tests work in complete isolation; they take no notice of ıch other's provisions. No adjustment of tax rates or tax levels can alter the ıct that a negative tax is inherently detrimental to effort. The enthusiastic roponents of selectivity wish to apply it not only to family support but also to her services benefiting children, such as education and health services. Taken its extreme this would mean that people would not pay a price for a service a commodity, but pay for everything a percentage of their income, for example, hool fees might be 5 per cent of income, housing 20 per cent, and a week's ospital care 15 per cent. In such a system the incentive to increase earnings ould be minimal. Indeed extreme selectivity is a cumbersome way of bringing oout extreme socialism. The result of all rebates as well as negative income tax to minimise the effect of income differences. In the extreme selectivity world ıcomes would widely diverge, but they would tend to yield the same net enefit. The effect would be very similar to the extreme socialist ideal of absolute ıual distribution of income. Neither scheme can be considered practicable.

o return to Professor Lees' more moderate proposals. He suggests that negative

income tax is to replace family allowances. The abolition of these allowances i 1965 would have saved about £152 million. The net cost of negative tax woul be at least £75 million (assuming all children are under 11) and at most £11 million (assuming all children are over 11)—say about £90 million—a saving i public expenditure of some £60 million. The effect of these allowances can b deduced from some figures given by Professor Lees. Amongst three child familie those earning less than £760 would receive more negative tax than they receive in family allowances. Those earning between £760 and £881 would receive som negative tax, but less than they had received in family allowances (the 8s for the second and 10s for subsequent children). Those whose earning exceed £881 would have lost their family allowances and not receive any nega tive tax; they would be worse off by £47 per annum. All the additional benefit received by those earning less than £760 would be offset by the loss of benefi received by those earning between £760 and £1,100. In essence, amongst thre child families the worst off would benefit at the expense of other three chil families who are somewhat better off without any contributions from thos having fewer or no dependant children or from those having incomes abov £1,100. This well accords with the ideology of the Institute of Economic Affair but will not commend itself to many Fabians.

## vouchers

Selectivity thus has all kinds of drawbacks, but when applied by way of mean test to the provision of services it has the advantage that people found to be i need receive the same services as those not in need. Free school meals are indis tinguishable from school meals for which a payment is made, occupiers wh receive rent rebates live in the same houses as other council tenants (at leas in theory) and ratepayers who receive rebates enjoy the same municipal service as other ratepayers. Another device to prevent "the costly and wasteful sprea of higher benefits over all irrespective of need" is to enable everybody to obtai a minimum standard of service and let those who wish and can afford it bu a higher quality of service for themselves. The best known of these proposal is to issue educational vouchers of, say, £70 per child per year. The voucher would have to be used for paying school fees but would be non-transferabl and incapable of being applied for any other purpose. Parents would have th choice of sending their children where £70 would cover the fees, alternativel they could opt for a more expensive school and use the voucher in part pay ment. The scheme is meant to increase efficiency in the organisation of educatio and give parents a choice in their children's education (A. T. Peacock and J Wiseman, *Education for democrats*, p64, Institute of Economic Affairs, 1964) It would economise public expenditure by encouraging parents to spend som of their own money on their children's education.

ıch a scheme and similar ones for housing and health services would not
equire a means test and would not discourage effort. They would, however, lead
different standards of service. In education it would provide the very opposite
equality of opportunity, in housing it would further accentuate social class
ifferences, and in health care services received would depend not on medical
eed but on what the patient could afford. Of course, at present, services, even
ublic services, are not the same for everybody. In general the lower income
roups get the worst service; for example, schools in twilight zones usually
appen to be inferior in all respects to schools in suburbia. Vouchers would
ccentuate this difference.

## hild endowment

he scheme proposed by Sir John Walley in *The Times* of 11 December 1967
as many attractive features. It has many similarities to the one actually operating
Sweden. Sir John proposes the replacement of family allowances, national
ısurance payments for children and child tax allowances by a tax free child
ndowment for all children at the rate of 28s per week for children under 11
nd 35s for older children. These proposals are not a move towards selectivity
ut are more in the Beveridge tradition. They would greatly reduce child poverty,
ncourage willingness to work, remove the need for the "wage stop", support
e stability of the family and be reasonably equitable to the middle and higher
come groups. Unfortunately, the net cost—gross payments less savings on
hemes replaced—of this plan is not easy to ascertain. Sir John, on the basis
published official statistics concludes that the net cost would be quite small:
There must be some, though the available information does not bear this out".
he child endowment at the suggested rates would be higher than the aggregate
family allowances and child tax allowances at any level of income below
ırtax, and for any number of children. The endowment would also, for any
umber of children, be not less favourable than national insurance benefit for
ildren. If everybody receives under child endowment more than under the
hemes to be replaced, it necessarily follows that there must be some additional
ost in implementing this plan. The prima facie merits of these proposals are
great than an official inquiry into its true cost would be well justified.

## conomic growth and selectivity

udents of social administration have a professional predisposition to recom-
end schemes which are costly to implement. The shortcomings of present social
nditions are glaring compared with those which seem fair and reasonable and
ell within our grasp. The man in the street lives to have his cake and eat it;
do we all. Learned American academics have recently discovered that in

the British Welfare State citizens vote for higher standards of services than they are willing to support as taxpayers (J. M. Buchanan, *The inconsistancies of the National Health Service*, Institute of Economic Affairs, 1966). This is a truism and is, of course, the reason why in a democracy rule by referendum cannot work.

The recent cuts in social service expenditure are, of course, regrettable, but they should be considered in their proper context. Since Labour took office in October 1964 and the end of September 1967, gross domestic product increased in real terms by 3.3 per cent, private consumption by 4½ per cent, and public expenditure by 16 per cent (*The Economist*, 3 February 1968). Expenditure on all social services is now very much higher (again in real terms) than it was three years ago. There may be much to criticise in this record. However, the story that Labour has sold out to the bankers by ruthlessly cutting social expenditure does not stand up to any serious examination.

The generally prevailing gloom about the economic future of this country is also quite unjustified. It will be necessary for a couple of years to restrain and, if possible, stabilise private consumption. The adjustments required may be painful, but they are quite marginal. The Government's main shortcomings are not in economic or social policy, but in having failed to give ordinary men and women the feeling that the Labour Government are "our men in Whitehall". They have failed to bridge the ever widening gap between us (the ones who are pushed about) and them (the ones who do the pushing). This is the real rift in society. A dynamic economy can only operate in an atmosphere of confidence and optimism. Continuous carping and criticism of Government policy (even if justified) kills the goose which could lay the golden eggs. The difference between success and failure is quite small. If we fail, selectivity will prevail, but if we succeed we will have "communal services as a badge of citizenship".

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## the authors

Peter Townsend is Professor of Sociology at the University of Essex, and is Chairman of the Fabian Society's Home Research Committee. He was author of "Poverty, socialism and Labour in power," in *Socialism and affluence* (Fabian Society, 1967); *The last refuge* (Routledge and Kegan Paul); *The family life of old people* (Routledge and Kegan Paul); and jointly with Brian Abel-Smith *New pensions for old* (Fabian research series 171).

Mike Reddin is Assistant Lecturer in Social Administration at the London School of Economics and Political Science, and was previously Research Assistant to Richard M. Titmuss.

Peter Kaim-Caudle is senior Lecturer in Social Administration, University of Durham and Research Professor-designate at the Economic and Social Research Institute, Dublin.

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