



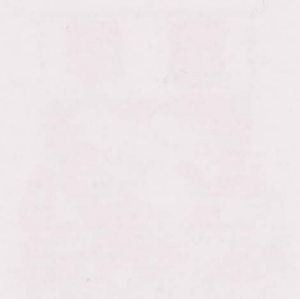
BRITISH LIBRARY  
OF POLITICAL AND  
ECONOMIC SCIENCE



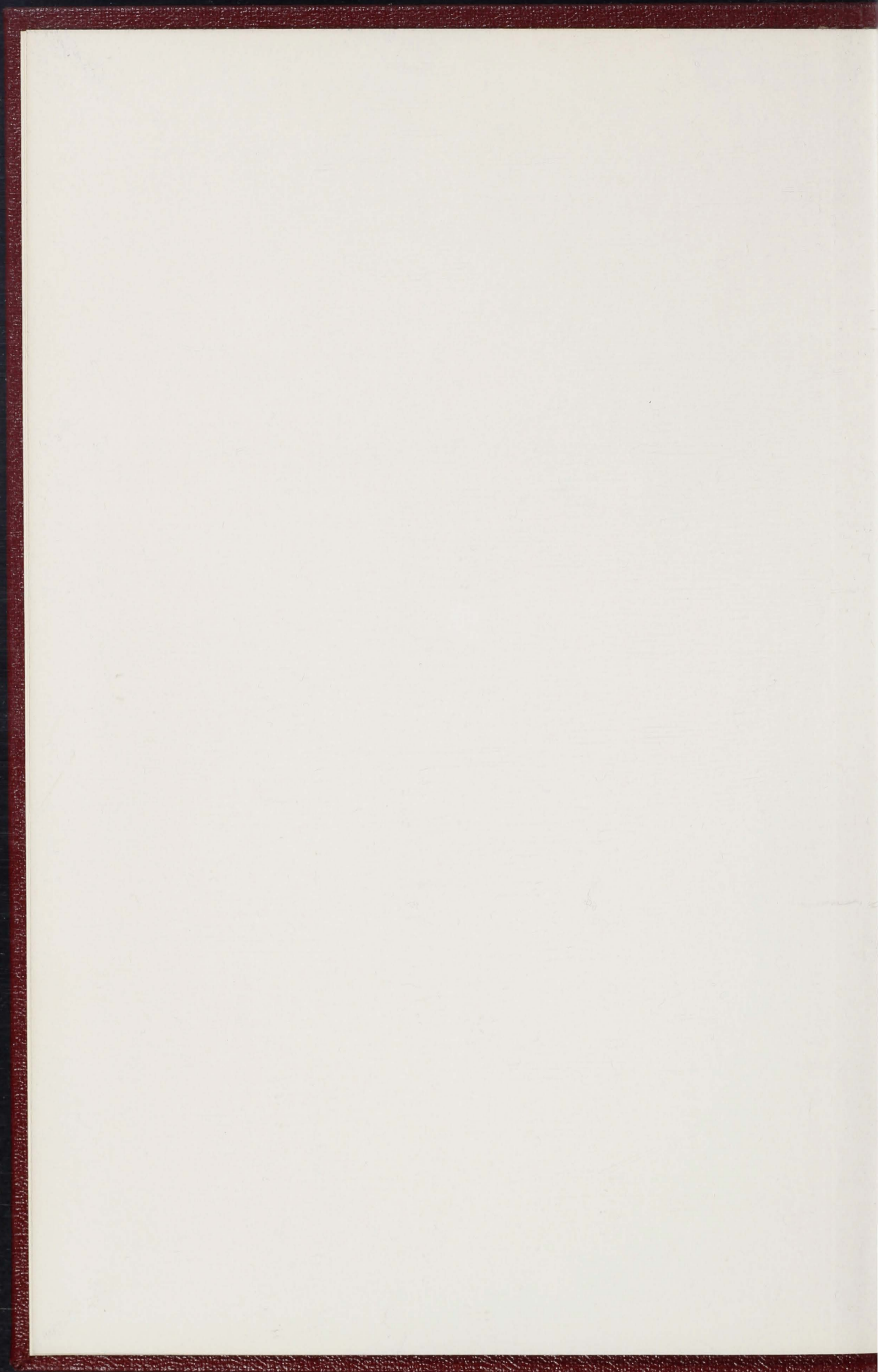
LONDON SCHOOL OF  
ECONOMICS AND  
POLITICAL SCIENCE  
10, PORTUGAL STREET,  
LONDON WC2A 2HD  
Tel. 01-405 7686



BRITISH LIBRARY  
OF POLITICAL AND  
ECONOMIC SCIENCE







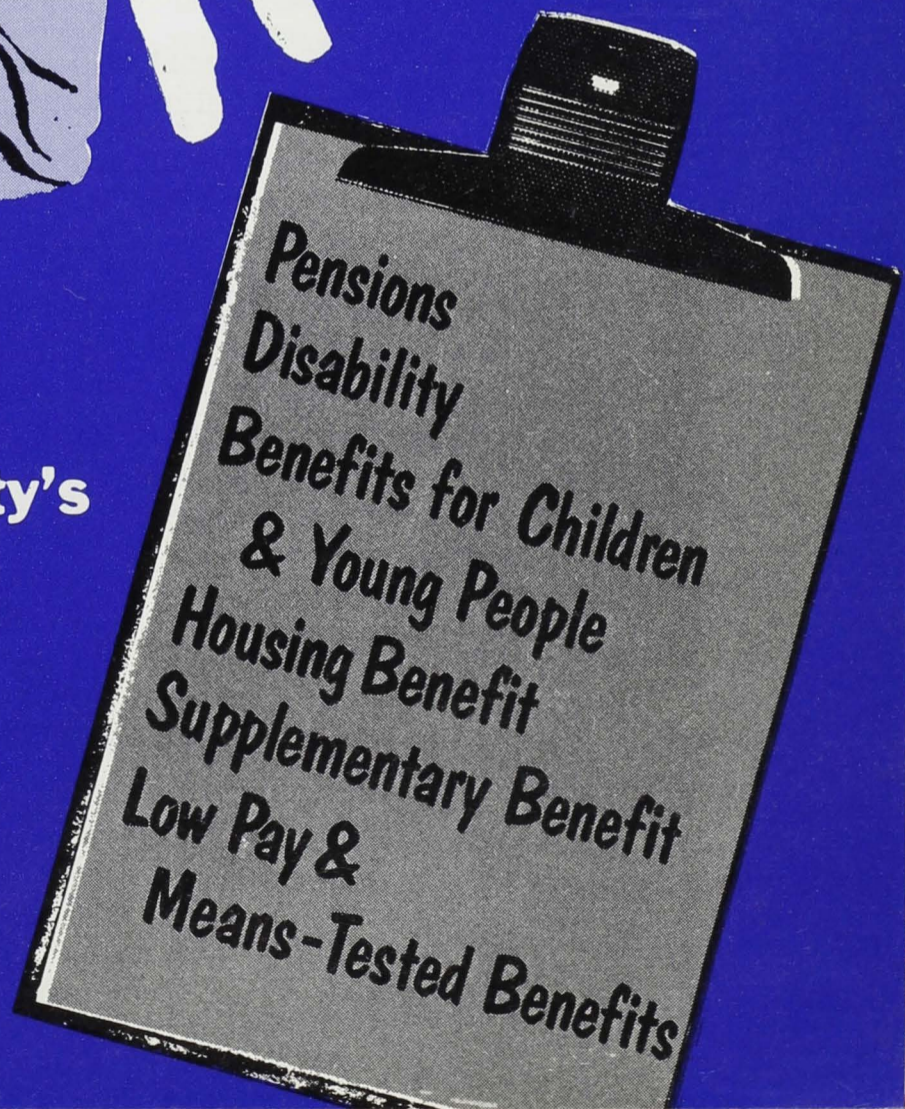
**Fabian Society**  
**No 498**



MISS  
HD  
7165 PAMPHLET COLLECTION  
HD  
7165  
F11

# **Social Security: The Real Agenda**

**The Fabian Society's  
Response to the  
Government's  
Review of  
Social Security**



**Pensions**  
**Disability**  
**Benefits for Children  
& Young People**  
**Housing Benefit**  
**Supplementary Benefit**  
**Low Pay &  
Means-Tested Benefits**

# Fabian Society Tract No 498

## Social Security: The Real Agenda

### The Fabian Society's Response to the Government's Review of Social Security

Preface	<i>Michael Meacher MP</i>	1
1. Introduction: Challenging Government Assumptions	<i>Brian Abel-Smith &amp; Peter Townsend</i>	2
2. Pensions		
Cost & Portability	<i>Mike Reddin</i>	11
Pensions for Women	<i>Sue Ward</i>	14
3. Disability	<i>Lynda Bransbury</i>	16
4. Benefits for Children & Young People		
Child Benefits	<i>Jonathan Bradshaw</i>	21
16-18 Age Group	<i>Howard Glennerster</i>	24
5. Housing Benefit	<i>Michael Hill</i>	26
6. Supplementary Benefit	<i>Richard Silburn</i>	29
7. Low Pay & Means-Tested Benefits	<i>David Donnison</i>	33
8. Conclusion	<i>Peter Townsend, Brian Abel-Smith &amp; Hilary Land</i>	37

*Michael Meacher* is Member of Parliament for Oldham West and is the Labour Party's chief spokesman on Health and Social Security.

*Brian Abel-Smith* is Professor of Social Administration at the London School of Economics.

*Peter Townsend* is Professor of Social Policy at the University of Bristol.

*Mike Reddin* lectures in Social Administration at the London School of Economics.

*Sue Ward* was until recently assistant secretary at the T.U.C. Before that she was principal assistant in the Pensions Department of the G.M.W.U.

*Lynda Bransbury* is membership secretary of the Labour Social Security Campaign.

*Jonathan Bradshaw* is Professor of Social Policy at the University of York.

*Howard Glennerster* is Professor of Social Administration at the London School of Economics.

*Michael Hill* is Senior Lecturer in the School of Advanced Urban Studies at the University of Bristol.

*Richard Silburn* is Senior Lecturer in Social Administration at the University of Nottingham.

*David Donnison* is Professor of Town and Regional Planning at the University of Glasgow.

*Hilary Land* is Reader in Social Administration at the University of Bristol.

This pamphlet, like all the publications of the Fabian Society, represents not the collective view of the Society but only the views of the individuals who prepared it. The responsibility of the Society is limited to approving the publications it issues as worthy of consideration within the Labour movement.

September 1984  
ISBN 07163 0498 8  
ISSN 0307 7523



21/9/84



MSS

HD

7165

F11

## Preface

In setting up the Fowler Reviews, the Government was right about one thing. There is a very strong case for fundamental re-examination of the rationale and operation of so much of the social security system. However, almost everything else about the Reviews is highly questionable.

Most are chaired by Ministers, which is not only virtually unprecedented, but strongly militates against independent, unprejudiced inquiry. The membership of the review committees is in many cases restricted to three members only, and stacked by being limited to card-carrying Tory Party members. When specifically asked to produce a more balanced membership, Mr. Fowler refused. External contributors to the Reviews were given only two months to make submissions. Each Review has been made subject to a nil-cost restraint, which means that open-minded examination of what is required to meet identified need is precluded. The Reviews, when completed, will not even be published.

Most serious of all, the reviews are built on a narrowly partisan ideology of welfare. It is implicitly assumed that public expenditure is too high, that taxation levels are too high, that the Welfare State is oppressively egalitarian and that private sector welfare is automatically preferable to state welfare. Each one of these deceitful assumptions can be empirically challenged.

Nor do the Reviews address the fundamental questions. If poverty is only the worst case of a maldistribution of income that is endemic in the economic system, can it be remedied by ad hoc tinkering with social security or does it require more basic structural change in the generation of incomes in general? Does there not

need to be reformulation of both the practical and philosophical basis for determining what is appropriate income support in the 1980s, given the immense social and economic changes that have occurred since National Assistance, built on Seebohm's principles, was established in 1948?

The Tories argue that welfare should be distributed strictly according to need. But since welfare is not simply a facet of public welfare systems, how can national resources (including tax reliefs, to which other poorer persons contribute by having to pay more tax to compensate for tax foregone) be rationalised according to need?

Perhaps the most serious objection of all to the Fowler Reviews is the fragmentation of issues which are all collectively part of a single indivisible whole. By the very way the Reviews are structured, they sidestep basic problems which we should not similarly avoid. However, can the interface between social benefits and tax be smoothed so that the poverty and unemployment traps and other disjunctions and anomalies are worked out of the system? How can benefits be concentrated on those in greatest need without inefficiency and stigma of means tests? How can personal taxation be made fairer, more progressive, and much less oppressive on the lowest paid and poor?

These are the real questions which we should now, as a nation, be asking about the ramshackle system of income generation, social security and tax that we have inherited. The essays that follow are a contribution to the genuine radical rethinking that must now begin.

*Michael Meacher MP*

# 1. Introduction: Challenging Government Assumptions

**Brian Abel-Smith and Peter Townsend**

There are two underlying reasons why the Government have decided to undertake a review of social security. First, the Government are looking for ways to reduce the cost of social security. Secondly, the Government are searching for ways to provide a larger role for the private sector in this as well as other fields. It is because of this hidden agenda and because they are in a hurry that the Government have chosen 'reviews' under tight ministerial control rather than the more open procedure of a Departmental Committee. Both these reasons for undertaking the review are unjustified—a response to the doctrinaire thinking of the most reactionary government Britain has known for half a century.

There are in fact five separate reviews. The first to be announced covered pensions. Later came the announcement of the three further reviews covering benefits for children and young people, housing benefit and supplementary benefit. In the case of provision for disablement all that has been announced is a survey of handicap and impairment. In this area where it is glaringly apparent that more money needs to be spent, decisions are being delayed while more information is collected. By carving up the field of social security into five separate packets the Government are failing to examine the crucial interrelationships between the different sectors and particularly the total impact of means-testing discussed in chapter 7.

## **Is Public Expenditure a Problem?**

We will begin by criticising the Government's assumptions underlying its present

policies. First, it believes that public expenditure is too high. The central propositions of the Government must be challenged. It is the Government's view, according to its recent Green Paper on Public Expenditure, that the increases in taxation needed to finance rising public expenditure have had "a serious impact on Britain's economic performance over many years" (Cmnd 9189, para 62). "Without firm control over public spending there can be no prospect of bringing the burden of tax back to tolerable levels" (para 65). The key target is the cost of pensions. "The implications of the present state pension scheme and related pension issues are under study in the Government's Inquiry into Provision for Retirement. They remain the major source of future pressures on social security expenditure" (para 32).

The Thatcher Government was pledged to reduce public expenditure and taxation. It has in fact increased both. Thus if there is a problem of the level of public expenditure it is of the Government's own

making. First, it has increased expenditure on defence by £8.2 billion over the last five years—by 23 per cent in real terms. Second, it has increased expenditure on the law and order programme by 33 per cent, with over half of the extra expenditure going on the police even though the Home Office's own research unit has shown that more expenditure on police can only have a negligible impact on crime. It has increased expenditure on prisons even though we already have prison sentences longer than comparable countries in Europe. Thirdly, by its economic policies it has savagely increased unemployment to an extent much greater than can possibly be attributed to the worldwide recession. Public expenditure on the unemployed has grown in real terms by £3.7 billion at 1982-3 prices—168 per cent—between 1978-9 and 1982-3. In addition the rise in unemployment has cut the yield of taxes and national insurance contributions, reduced company profitability and thus the yield of corporation tax, and added to or created deficits in key nationalised industries. The extra cash spent on the unemployed, on defence and on law and order by the Government could alternatively have been used to increase the levels of social security benefits of 1978-9 by over 20 per cent.

Any rational review of present public expenditure would lead to the conclusion that Britain is making a wholly disproportionate contribution to the Western defence effort, is spending far too much money on law and order without getting anything for it, and that even simply in expenditure terms the current level of unemployment is intolerable. Instead the Government, having already cut social security by £2 billion, is looking for further ways of making the poor and vulnerable pay for its misguided policies. Social security is being made the scapegoat for the Government's ill-chosen priorities and disastrous economic management.

Underlying these priorities is an arrogant view about the condition and desirable future of British society. Mrs

Thatcher and her closest associates believe (wrongly) that Britain has become more equal in the last 20 years and that the "discipline" of lower wages and benefits is required to restore both profitability and effective social control by ruling elites.

As mentioned earlier, the key target is the cost of pensions and particularly the state earnings-related pension scheme legislated in 1975 with the backing of what was at the time a political consensus. Can the growing cost of pensions be met? This question was asked and answered by the Government's own Social Security Advisory Committee in its second Report for 1982-3. The Committee concluded that the developing contribution burden of providing a decent standard of living for pensioners

*"is not greatly out of line with what is being paid already to meet the costs of exceptionally high unemployment. From 1983, employers and employees paying at the standard rate have been paying contributions of 17.65 per cent to the National Insurance Fund. On the most costly of the Actuary's six central assumptions about the movement of earnings, earning limits and benefits, the contribution to the Fund required to sustain the pension scheme would be 16.7 per cent of earnings by 2005-06, providing that unemployment averages 6 per cent for the 20 years from 1985 onwards... Beyond that the contribution rate does become much higher... But at this distance of time we do not think these can be solid grounds for altering the scheme now for fear of all the worst outcomes occurring steadily for 40 years".*

We endorse this conclusion. We also agree with the Committee that "there is widespread support for the principle of providing a pension income for elderly people which is not only adequate in itself but enables them to share in any improvements in living standards which are gained by people at work". Sadly, the Government have already broken the link be-

tween pensions and earnings levels established by the Labour Government. Flat rate pensions are now increased only in line with prices, not with earnings. This means that the married couple's flat rate pension of £54.50 would be about £3.90 higher today if the Labour Government's earnings-related formula had been retained. And, on top of this, the Government have changed the way in which the calculation of the change in prices is made so as to make a once and for all cut in the real level of pensions. If the Government continue on their present path, flat rate pensions will fall year by year as a proportion of average earnings. The relative poverty of the aged will increase year after year.

Spending on the British Welfare State is not excessive by any criteria we care to examine. As shown in Table 1 Britain spent in 1981 relatively less on social protection (which includes spending on health services) than any other country in the European Community except Greece (for which figures are not available).

**TABLE 1**  
**Social Protection Expenditure as a percentage of Gross Domestic Product—EEC 1981**

Netherlands	31.7
Belgium	30.2
Denmark	29.5
FR Germany	29.3
France	27.2
Luxembourg	27.1
Italy	24.7
Ireland	24.6
UK	23.4

All the countries which have had a better economic performance than us have been spending substantially more on social protection. It is true that these countries are now worried about their current level of spending. Some of them may have cause, but that cause is political rather than economic. We certainly do not. Various studies of spending on welfare by other rich countries during the 1970s and early

1980s shows that in relation to GNP Britain's contribution in several areas has been average or below average. (See R. Walker, R. Lawson & P. Townsend, *Responses to Poverty: Lessons from Europe*, 1984, Chs 2 and 13; J. Vogel et al, *Level of Living and Inequality in the Nordic Countries*, 1984).

A recent report of a review of social security in industrialised countries undertaken by ten experts from ten different countries came to the following conclusion:

*"The problem of the cost of social security is essentially psychological and therefore becomes a matter for political decision. It is this that limits the level of contributions which are accepted, rather than any economic considerations. There comes a point at which people believe that they are paying too much, whether they are paying this in the form of taxes or contributions, and no matter to whom such taxes are paid or by whose authority contributions are extracted. People see the benefits that social security will provide as remote, and tend to underestimate their own risks". (ILO, *Into the Twenty First Century*, 1984, para 206).*

By presenting a psychological problem as an economic problem, the Government are appealing to the short-sightedness of the less informed sector of public opinion. They are trying to buy short term votes at the price of creating more long term poverty among the voters.

### **Is Taxation Too High?**

Second, the Government believe, correspondingly, that taxation is intolerably high. This we do not accept as a general proposition. We agree that taxes are too high for those with low incomes. We do not accept that they are too high for those with high incomes. Indeed there is substantial historical, social and international evidence to the contrary. The Government's policies have been deliberately

aimed at creating greater inequality. The number of people in poverty has doubled while Mrs Thatcher has been in office largely because of the growth of unemployment but also because of the Government's policies to legitimise low pay. It has done this in the public sector by its pay policies and its special schemes to take young people off the unemployment register, and in the private sector by policies to reduce the role of wages councils which used to fix at least a minimum, albeit very low level, for rates of pay for a wide range of occupations. At the same time the rates which directors of firms choose to pay themselves have been allowed to shoot ahead much faster than average earnings. The massive reduction of higher rate tax has been the Government's own further contribution to the massive increase in inequality over the past five years. On top of this the Government have shifted the burden of taxation from income tax which falls disproportionately on the richer to VAT and rates which fall disproportionately on the poor. And, for good measure, the Government have driven up Council rents and are making gas and electricity bills a disguised form of taxation—all of which place disproportionate burdens on people with low incomes.

No less important are the tax allowances for pensions, mortgages and until recently for life assurance, which are the critical ways in which the better off start paying income tax at much higher levels than those with low incomes and avoid massive amounts of higher rate tax. In so far as the current tax and social security system creates problems of disincentives to work, those disincentives operate on the poor through the poverty trap, the unemployment trap, and the trap where part-time workers, mainly women, start to pay social security contributions. They do not operate on the rich.

Most important of all, the central propositions of the Government must be challenged. We do not accept that the increase in taxation over the past ten or twenty

years has had "a serious impact on Britain's economic performance" and that as a result spending on social security should be picked out for review.

## **Is Privatisation a Solution?**

The Government's third belief is that the ascendancy of the so-called private sector should be re-established. They mean that they are not prepared to accept that, in the public interest and for reasons of accountability as well as efficiency of service and administration, there are sectors of activity which have to be organised and developed according to broad principles of public management. This represents a departure even from the political principles of a long line of Conservative leaders—including Churchill, Macmillan, Butler, Home, Macleod, Boyle, Heath and Pym. The private sector of social security cannot do the job of guaranteeing security. And it is security that people want. This is because the private sector cannot give a guarantee to keep any benefits it pays in line with inflation. Only government can do that. The dismal history of the performance of private occupational pensions demonstrates this failure. Most private pension schemes do not promise to increase the level of pension in payment when prices go up and very few have succeeded in maintaining the real value of pensions. This is because pension schemes depend on the capital growth and income yield of their investments. They are intrinsically speculative. The pensions which people will have to live on when they retire or if they are widowed or become disabled are much too important to be left to the luck, or what appears afterwards to be the skill, of private investors. People want a guarantee of what they will have to live on, which only government can underwrite.

Secondly, most pensioners are women. The private sector cannot provide for the needs of women many of whom spend many years out of the labour market rearing children. It cannot provide for one-

parent families headed by women or for women who become divorced after rearing a family with a record of little or no paid work.

On top of this private pension schemes are an inefficient way of providing for old age because most people change jobs three or more times in the course of their working lives. Even if it were possible to require private pension schemes to treat early leavers on the same basis as the small minority who stay with the same firm for all their working lives, there would still be the costly business of tracing and paying out pensions to ex-employees, some of whom had only small pensions from short periods of service.

But even more important in the present context is the fact that substituting private pensions for public pensions does not solve the problem of tax resistance. As the ILO Report quoted earlier pointed out, "they also reduce compulsorily the amount that earners have in their pay packets or cheques" (para 799). Indeed it may make the problem of tax resistance worse "in so far as the administrative costs and full funding requirements of private insurance involve greater costs. If employers withhold money which might alternatively have been in the pay cheque or packet for private social security contributions, this money is not available to pay taxes and public social security contributions. People still feel that they are not left with as much money as they want for their daily expenses" (para 204).

Thus the transfer of pension responsibilities from the public sector to the private sector will solve nothing. The fact will remain that in the next century there is likely to be a substantially higher ratio of pensioners to workers. Ultimately it is these workers who will have to support the pensioners whether the title to pensions comes from the private sector or the public sector. The question at issue is whether the adequacy of these pensions is underwritten by the Government or left to the uncertainties underlying the private investment market.

## Is Britain Too Equal?

The Government's assumption is that it is both necessary and desirable for Britain to become more unequal. There are a number of beliefs which make up this assumption—discussed, for example, in publications of the Institute of Economic Affairs and in the book on *Equality* by Sir Keith Joseph and Jonathan Sumption (1979). Greater discipline is felt to be required at all levels of society, in the family, in the schools, in the community and in the workplace. The working class have to be put in their place. Traditional values of obedience and subservience as well as patronage deserve to be upheld. Greater discipline in the work-place can only be created, it is further believed, by the more immediate threats of redundancy and unemployment, and a weakening of the power of the trade unions. The nature of immigration control and some forms of racism are themselves expressions in part of the attempt to re-establish the ascendancy of the ruling elites, including the major property holders, of the modern state.

The trends in social structure in recent years can be multifariously documented—and are highly relevant to the assumptions on which the Fowler reviews are based. Millions more people have been forced down to and below the state's minimum income—and that standard has been cut. Many more people are having to live for years, and not just months, on such an income.

The challenge here to the Government's thesis is both that mass poverty has been deliberately recreated and that incomes are indefensibly low. On official figures the number of people in households dependent on supplementary benefit has increased from just over four million in the early 1970s to over seven million in 1984. According to calculations by the DHSS, the number of people on low incomes below the supplementary benefits standard was 1,840,000 in 1975, 2,100,000 in 1979 and 2,810,000 in 1981

(the last year for which figures have been published). There are huge numbers of people not receiving benefits to which they are entitled, not only because of pride and lack of information but also because of unwillingness to engage with the system which, because of cuts in staff, has become increasingly abrasive. By a succession of piecemeal actions more and more people, especially among the unemployed, have been manipulated into a situation where they are not entitled to benefit. The evidence of fraud has always been relatively small in numbers and amount and recent attempts to suggest that many of those on supplementary benefit have "black economy" jobs have turned out to be wrong. The latest evidence is that there is far more "moonlighting" by those in employment than by those out of employment.

Nearly a quarter of the British people have now become an impoverished, dependent category in the population. This is not just a creation of recession and growing unemployment. It is a structural feature of rich, especially capitalist, societies but particularly of Britain. Any account of this situation has to begin with unemployment. Officially the number of unemployed is put at over three million, and unofficially at four and a half million. The number unemployed for one year or more is now larger than at any time in the 1930s and is continuing to rise. There are hundreds of thousands of young people who have been recruited to temporary employment programmes—a kind of "twilight dependency"—and are not yet counted as "unemployed". Then there are hundreds of thousands, perhaps millions of people who are prematurely retired, for many of whom retirement is as savage as unemployment. Many who are still active feel they are offered nothing constructive or meaningful to do and have been relegated without choice to the status of dependence. Much the same is true of many people with disabilities, whose potentialities are often greater than those in secure jobs are prone to imagine. One of

the paradoxes of the present situation is that while the Government are wriggling out of their responsibilities to place disabled people in employment, voluntary organisations are often giving heroic illustrations of just what potentialities exist in disabled people themselves to take their places alongside non-disabled people at the work place.

If we add to these groups the huge number of women who are denied access to paid employment and allowed no rights to an income for the domestic and caring roles which they practice, these social problems of partly unnecessary and certainly ill-financed dependence can be recognised to be very serious. The accommodation of the market to new technologies is following a course which depends on the development of greater inequality—greater power and rewards for the few, at the expense of a much larger dependent class living on incomes as low as can be made acceptable to the electorate. Already the number of people in Britain who depend upon the state for their primary source of income is seventeen million. More than twelve million of them have been dependent on social security benefits for more than a year, some for several years. That number is larger than the entire membership of the British trade unions.

In every single context the Government's claim that they are re-establishing conditions in which "the individual can stand on his own two feet" can be demonstrated to be a hollow sham. Institutions, predominately state institutions, are turning people out of jobs and providing them with incomes too low to afford any real opportunities to take occupational initiatives. The Government are taking no responsibility to create large numbers of jobs directly, and enhance the nation's wealth as well as its morale by meeting the occupational wishes as well as material needs of unemployed, disabled and elderly people and women. Mass dependence is an unacceptable consequence of the present polarisation going on within the

British nation.

The problem is not just the numbers who are poor but the level of their poverty. A person entitled to unemployment benefit gets only £27.05 per week. A married couple gets £43.75, with 15p in addition for each child. If child benefit of £6.50 per child is added, then a married couple with two children receives £57.05 in total per week, with the possibility of claiming housing benefit in addition. The equivalent entitlement in most of Europe, including some central and Eastern European states as well as Scandinavian countries, is more than twice this amount, sometimes more than four times this amount. Allowing for housing costs, the figure of £57.05 is less than half the average disposable income of those in paid employment with families of the same size. Unemployment benefit for a single person is approximately 17 per cent of the disposable income per head of the entire population of the United Kingdom. This method of identifying and comparing the living standards of different groups of poor people in Britain could be sustained. For example, those who do obtain supplementary benefit, whether to supplement or instead of unemployment benefit, get only marginally more if they do not have children (it amounts to a few pence for single and married claimants—though they might get additional sums towards their housing costs), and only a few pounds more when they do have children. Invalidity and retirement pensioners do about a third better than those on unemployment benefit, which at present means £6.30 more per week for a single person and £11.05 more per week for a married couple than the “ordinary” rate. But these are not exactly munificent sums and the basic retirement pension for a single person (at £34.05 per week) is still as low as a fifth of the average gross wage for men—the same fraction as thirty years ago. Unemployed people never become entitled to a “long-term” rate of supplementary benefit even when they have been unemployed for several years.

While recognising that a careful and complex review discloses some variation, it is apparent that the income levels are low. Families cannot meet the claims placed upon them in a modern society. A child aged under eleven is allowed £9.15 per week. This is £1.31 per day. Consider the problem of feeding, clothing, washing for and supporting a child on that amount. There is never money left over to pay for emergencies. There is certainly insufficient money to fulfil the kind of expectations placed upon people in a modern society by employers, doctors, school teachers and fellow citizens in the community.

The Thatcher Government take a derogatory view of the needs of working people and people not in employment. They spurn their potentialities for education and production, and they underestimate the minimum income they require to participate in a modern society and to assume responsibility for their children, members of their families and others in the community.

Nowhere do the Fowler investigators attempt to consider what standard of income should be regarded as the minimum in the modern state. That is a major challenge which should be put to them. How do they defend the present paltry scales of benefit? Early in the war, forty-three years ago, Lord Beveridge adopted the subsistence scale first promulgated in the 1890s. That scale was built primarily on people’s “physiological” needs, rather than their needs to live and contribute to a society of the late twentieth century. The Government should be obliged to argue a case on the level of benefit. It would have to pay attention to some very radical discussions going on in some other countries (especially Australia, Canada and Sweden).

We have argued that the Thatcher Government must be challenged on the extent of mass poverty and the level of income justified for the poor. But we must also argue that the problem cannot be discussed as if it were a question of what



might be called "soft" poverty rather than "hard" poverty. We mean that the discussion of poverty is often softened, sometimes because of the gentle influence of religious and charitable groups, from abrasive conflicts of interest to condescending and compassionate action on behalf of elderly people, prematurely retired people in middle age and handicapped people. But poverty is also a phenomenon attributable to schisms in society—racism, sexism and ageism, for example. It was the systematic exclusion from political power of Catholics in Northern Ireland which bred the large scale deprivation which remains one of the Province's major features. And whatever excuses might be offered for Government policy towards Northern Ireland, direct rule may be said to have institutionalised poverty and inequality in Northern Ireland and to have had a destructive effect on the values of democracy.

The Government have also failed to take structural action over racism and near-racism. Lord Scarman argued that "urgent action is needed if it is not to become an endemic, ineradicable disease threatening the very survival of our society." While it was not his responsibility to spell out a programme in detail he argued for action in particular on housing, education and employment in inner cities, co-ordinated by central government. He acknowledged the (relatively mild) efforts made by different statutory bodies and took the (perhaps over-optimistic) view that "institutional racism" did not exist in Britain "but racial disadvantage and its nasty associate racial discrimination have not yet been eliminated. They poison minds and attitudes; they are, and so long as they remain, will continue to be, a potent factor of unrest" (The Scarman Report, *The Brixton Disorders*, Cmnd. 8427, 1981, pp.131–136). There is no shortage of first hand accounts of the depressed conditions of black minorities, and action to improve matters in social security is no less important than in employment, housing and wages policy. The

decision in 1982 to introduce health service charges for overseas students and visitors in Britain for less than one year has prompted black residents to be treated with suspicion when they seek NHS treatment. Before that the Social Security Act 1980 and regulations made under it greatly restricted the rights of immigrant claimants and also affected black people generally. There is evidence that more and more black people are being required to produce passports before getting supplementary benefit. Under the S code officials are invited to ask any claimant who comes from abroad for a passport and an explanation of the basis of entry into the country. This does of course lead to disputes between applicants and officials, delays in getting benefit and even the denial of rightful benefit. One study of social security argued that this change had made much worse the unfavourable or unequal treatment of black people by officials but that the legislation was itself "based on a white value system" (V. Sharma, *Second Class Claimants*, Leicester CPAG, 1981, p.54).

The analysis of "hard" poverty has another, important side. Too much of the political discussion in Britain concentrates on the victim, or rather, on ways in which the victim's circumstances might be mildly ameliorated. The legitimacy of the position of the rich has to be properly questioned. Those who express class and other forms of prejudice have to be brought to account for themselves. If the prices of goods manufactured in Britain are uncompetitive, may this not be due to unfair shares within the wage structure itself rather than poor productivity or unjustifiably "high" wages among labour? There may be too many chiefs and too few foot soldiers. The chiefs may be feathering their own nests. The Government are wrong because they concentrate attention on certain parts of the public sector and on the price and the organisation of labour, while failing to lay out the facts and discuss the questions of ownership and management. One important method of exploring

whether public expenditure is too high is to explore private expenditure. And how can taxation be said to be too high if the incomes and wealth of the rich are not discussed? There are two underlying structural questions which this Government refuse to discuss. On what grounds can the initial or original distribution of resources among the British population be regarded as fair? Is it possible to reach judgements about the "fairness" of taxation without demonstrable information about the total resources available to the rich both after as well as before taxes are applied to them?

This is not the place for a lengthy analysis of the enhancement of power among the rich in recent years. That analysis must include the diminution in the taxation of wealth; tax relief on income to the rich; trends in inheritance and augmentation of assets, particularly owner occupied housing, in the last twenty years; and the increasing remuneration in kind for executives and other rich groups.

### **What Can We Afford?**

A final assumption made by the Government is that better benefits, and even adequate benefits, cannot be "afforded". In the early days after 1979 Mrs Thatcher's Government argued that new benefits—for example, for disabled people—had to be postponed until the nation's economy was put right. That view has now shifted to one of exploring how new but cheaper forms of benefit can be substituted for existing forms of benefit. At both stages the presumption is made that there are too many poor and additional monies cannot be found. But it should be argued that the Government are themselves manufacturing more poor people. Whether further funds can be found through redistribution turns on the analysis of the distribution of income, in combination with the effect of taxation and the resulting distribution of disposable income. Again the Thatcher Government must be challenged. Prosperous groups are not merely paying less

tax than they did five years ago. They are paying far less tax than even the most cursory scrutiny of disposable income suggests they might pay, given the need for the introduction of a subtle combination of new wealth and income taxes. Table 2 sets out the latest figures published by the Central Statistical Office. These are not the most informative figures that ought to be available to a modern government. Corrections would have to be made to bring in other additional forms of income as well as allow for size and type of family. But independent research suggests that differentials would not be very different from those produced on the official data available, as shown. These figures give the lie to those who argue that the country cannot afford to pay better benefits to the poor (even without resort to the further evidence from other countries which are already paying better levels of benefits to their poor). If the most prosperous twenty per cent in the country were to lose only £1 in £7 or £8 from their incomes the incomes of the poorest twenty per cent could be doubled.

This line of argument must be developed in other ways. Can we afford the extent of inequality in earnings which the Government have created simply in terms of the Government's own criterion—the level of public expenditure? The more families that are struggling to live on low earnings, the higher the claims there are for Family Income Supplement, free school meals, housing benefits etc. For example, it may make sense in terms of the Government's ideology to force the contracting out of services to private operators—whether it is cleaning services, hospital catering or refuse collection. Private contractors may reap their profits by paying low wages. These low wages may produce savings in one set of accounts of the public sector but increase expenditures in other sets of Government accounts—in a whole series of extra or larger claims for means-tested benefits. An effective system of minimum wages is the right way to save public expenditure on

means-tested benefits and all the bureaucratic costs in delivering them. Above all, can we afford the public expenditure costs of unemployment?

On the available evidence, this Government is the most wasteful—socially and economically—in Britain's entire history since early industrialisation.

---

## 2. Pensions

### Cost and Portability

Mike Reddin

While the number of people of pension age will change little over the next fifteen years there will a major increase over the first three decades of the next century. More pensions will have to be paid out and they may well have to be paid for longer periods. It is the ability and will to meet these future costs which is central to the review of pension policy. But what is forgotten is that we already demonstrate an enormous "commitment to pensions". For instance, we already contribute more to occupational pensions than we do to the state scheme. In total, through current contributions and savings, by way of state, occupational and private insurance and associated tax reliefs, we devote something like £50 billion per annum to "retirement income". Current state retirement pensions represent less than 30 per cent of this amount. From such a total we could in theory treble existing flat rate state pensions—and more than meet future promises for state earnings-related pensions—of which the rising cost is the central reason for establishing the review. Instead of acknowledging and juxtaposing all demands for pension spending (public and private) the Government start from the familiar premise that the state scheme is burdened by the threat of people staying alive.

Thirty years ago the report of the Phillips Committee set up by the second most reactionary government since the Second World War produced a report loaded with

ominous warnings about the growing burden of old age. The majority proposed that the pension age for men should be ultimately raised to 68 and for women to

63. The latter has a familiar ring in a less sexist age. But the then Government faced with a forthcoming election ignored this recommendation. Since then, the growth in the number of pensioners has been close to the projection of the Committee. Not only are we supporting about fifty per cent more pensioners but their incomes have been raised on average from just over 40 per cent of average adult disposable income to an estimated 69 per cent this year. It would have come as a shock to the Committee to be told that 30 years hence contributions to pensions would be so much higher than pensions paid out. Pensioners' share of total disposable income has risen from 7 per cent in 1951 to 15 per cent estimated for 1984/5. But still Britain has the lowest expenditure on social protection of all countries in the EEC (except Greece).

Now the Government are worrying about a further distant transfer of income to pensioners of about 2½ per cent of disposable income (on the basis of price-related basic pensions which the Government have so far been operating) or about 5 per cent of disposable income (on the basis established by the late Labour Government of earnings-related basic pensions). This modest additional transfer would operate over about 40 years compared with the transfer of an extra 8 per cent over the past 33 years. The Government are worried about the time when the generation of the post Second World War baby boom, whose contributions have done so much to ease the main transition to an ageing population which has already happened, themselves become pensioners. The Government are considering whether their long-term claims to pensions should be scaled down to justify some paltry savings in public expenditure over the next few years.

The above calculations are based on Government Actuary's central assumption which includes a drop of unemployment to 6 per cent of the working population. The extra current provision for the unemployed of some £3 billion is not

shown in the Government's background paper for the inquiry into provision for retirement. This is a crucial missing fact. The assumed decline in the cost of supporting the unemployed will go a considerable way to support more pensioners and support them at a higher level without any need to raise taxes or contributions. Moreover if a higher proportion of women join the paid labour force in the future and join it in full-time jobs, paying both national insurance and occupational pension contributions, this will also ease the task of paying more to more pensioners.

The crucial point is that to take drastic steps now to prevent the worst possible scenario in some forty years time is absurd. And it is particularly absurd in a country which by European standards is currently under-taxed. The most likely prospect is that, given rising standards of living, people will save more of it for retirement in the future just as they have in the past. To look only at the consumption of the retired and ignore the savings generated by the prospect of retirement is to look at only one side of the balance sheet.

## **Portable Pensions**

The Secretary of State has decided to tackle the issue of "portable pensions" before all other issues in the current enquiry. Those who stand to gain from offering individual (private) pensions, transportable from one job to another, have obviously impressed themselves upon the Secretary of State. As long ago as 1957 the Labour Party adopted a policy of full transferability of pensions, but the decision to obtain agreement with the occupational pensions sector and with white collar trade unions restricted the scope of this proposal when the state earnings-related pension scheme (SERPS) was enacted in 1975. The private "portable pension" however, has many characteristics which appeal to the current Conservative ethic, providing yet another opportunity to translate public into private costs.

The advocates have several lines of argument. First, they promise a private, individual solution to what has previously been seen as a public problem. They suggest that individuals could and indeed should set aside resources for their old age. It is an appealing concept which, if it worked, would not only meet the ideals of self-sufficiency but could correspondingly diminish demands on the public purse. But "self-sufficiency" is hard to come by. To afford to contribute you must have surplus income *before* retirement; you must accurately anticipate your own life expectancy (and how much you will need to live on), and estimate correctly the future level of inflation and interest rates. In this process you are still relying on the willingness of future producers to let you have a share of the cake and not frustrate your efforts by generating unanticipated inflation after you have retired.

Secondly, the personal pension offers the allure of personal savings decisions and personal investment management. Individuals are expected to make day-to-day decisions about the investment and management of their pension funds. This is seen as "good" for the souls and the bank accounts of "thinking investors" and consequently for a revitalised British industry, thriving on "thoughtful" investment practice.

Thirdly, portability with its individual rights offers a solution to the "importability" of existing *occupational* pensions. The majority of employees who have changed their jobs have lost out badly, since their benefits have generally remained with their former pension scheme when they changed their jobs. (See Carl James, *Occupational Pensions: the Failure of Private Welfare*, Fabian Tract no. 497, 1984) The review enquiry suggests that this has inhibited labour mobility (although there is little evidence of this). If benefit portability really were the key issue, then this could and should have been resolved long ago within the existing occupational scheme structure. It would have been very simple to legislate for portability of future

pension rights either by way of full transfer rights, a fully-dynamised system of preservation or a central "holding bank" for all "dispossessed" occupational pensions.

However, the real significance of portability is concealed. Portability, while deserved by scheme members, does not operate to the advantage of the solvency of the schemes themselves. In brief, most funded occupational pension schemes have made their generous promises by virtue of the fact that they have *not* had to pay benefits to the majority of their members. Many were members but few were chosen—actually to get the promised pensions. Those who left lost all or part of their pension rights: their "contributory bequests" helped to pay for the benefits of survivors. Fully portable *occupational* schemes would have to face up to the real costs of pension provision. The immobile stayer could no longer live off the bequest of the mobile. Full portability would dramatically increase the cost of occupational pension schemes.

Of course, the state has been providing portable pensions since 1908. A wider and larger state scheme is the obvious answer to the problem of portability, as pointed out in a Fabian publication nearly 30 years ago (B. Abel-Smith & P. Townsend, *New Pensions for the Old*, Fabian Research Series No. 171, 1955). Pension rights can be linked to citizenship, years of residence, or years spent in the labour market, rather than particular jobs. In a world of precarious employment, tying benefits to particular jobs is plain daft.

## **Contributions and Contributors**

There is a fundamental misunderstanding (running through state and occupational schemes) that employers make a peculiarly independent contribution. This is a complete fallacy. If employers "contribute" to pension schemes they do so out of resources which could have gone elsewhere

—not least to employees in their wage packets. At best the employer acts as an intermediary paying contributions “on behalf of” an individual contributor. The “employer’s contribution” is a myth.

Even more important, however, and the theme runs throughout the submissions to this enquiry, is the assumption that the *number* of future contributors will be a key constraint on future (state) pension developments. The prospect of an estimated roughly static workforce (though if more women earn, it is likely to grow) is seen as undermining our capacity to finance the future. This is another nonsense. Our capacity to pay for pensions depends on the resources we can generate *not* the numbers who will generate them: the number of workers is not the sole determinant of a nation’s wealth. Not least, we do not need to finance pensions wholly from individual contributions.

Taxes can be used to fill any gaps caused by a fall in the number of contributors.

The crucial error in the Government’s thinking is to concentrate on public expenditure and ignore *overall* costs. We should be *expanding* the state scheme, and paying for it by reducing tax concessions to occupational and private alternatives. Private pension arrangements cannot guarantee security in old age. Let us recognise how much is currently spent on private pension arrangements and how little most people will ever see in returns from them. They are a shoddy alternative to a good state scheme. The resources which are now frittered away on insufficient private solutions could give us pensions—today and tomorrow—sufficient for a secure retirement. The state earnings-related pension entitlement should in time be expanded—not abolished.

## Pensions for Women

**Sue Ward**

**Of all retired people 65% are women; this proportion is expected to stay roughly the same for the next forty years. Three-quarters of the pensioners in real poverty are women. This is because the system has been primarily designed to serve the interests of men. Women are invisible in the average employer’s booklet about “your pension scheme” except when they appear as “your wife” or “your dependant”. The state too has created a system which suits women even less than men.**

The several tiers of pension in the UK have different implications for women. To acquire the basic pension at the full rate you have to be in paid employment for nine-tenths of your “working life”. Under

the Barbara Castle scheme there are “home responsibility credits” for people at home with children. These credits, however, did not start until 1978 and are given only for complete years out of paid

employment. Anyone unwise enough to start a job in February or March loses entitlement to the credit, and does not gain any pension. A person who earns less than the lower earnings limit by working part-time—and the bulk of part-timers are women—is a “non-person” as far as social security is concerned. Many existing and future pensioners are still penalised by having paid at the reduced NI rate for married women, but in a few years the majority of new women pensioners will have benefits in their own right.

The state earnings-related pension scheme (SERPS) started in 1978, and gives a pension of  $\frac{1}{4}$  of your earnings between specified limits, after 20 years in the scheme. It is therefore considerably better for women than most private schemes, but it still has the deficiency common to all earnings-related schemes, that the lowest paid also receive the lowest pension. The problem this creates for women is exacerbated by the fact that they also live longer, and so may have to last twenty-five or thirty years on an inadequate income.

The third tier is “occupational” pension schemes, which do not in fact relate to your occupation, but to your employer. These discriminate both directly and indirectly against women. The Equal Pay and Sex Discrimination Acts do not apply, and the Social Security Pensions Act insists only on equal *access* to pension schemes, not equal benefits. The design of occupational schemes means that the highest benefits go to those who spend a forty-year working life with one company, and receive their highest real earnings shortly before retirement. Women tend to have breaks in paid work to bring up children. Their restricted employment opportunities mean that women are generally on a flat career-pattern, reaching the top of an incremental scale well before retirement. Thus women generally end up with low occupational pensions.

Widows' benefits however are widespread, and this is often assumed to redress the balance, since widowers' benefits are much rarer. The basis on which

widows' benefits are provided is historical rather than logical, and is somewhat demeaning, in that a woman is assumed automatically to be her husband's dependant, without any sort of test of this, financial or otherwise, being applied. If we were starting afresh, we might well want to alter this, but as it is, the pressure for equalisation here is through the provision of widowers' benefits (which are much less costly than widows' benefits, because men on average do not live as long as women).

The Government have considered raising women's retirement age to 63 and lowering that of men to the same age. They have not taken this further, presumably because they realise it would be extremely unpopular. Polls have shown very heavy support for reducing the male retirement age; in practice, a large number of men have been retired, more or less voluntarily, over the last few years as a way of reducing the workforce. Only 59.6% of men aged between 60 and 64 were economically active in 1983. Often earlier retirement is at the employee's cost, because the pension is lower than it would otherwise be, and must keep the pensioner for longer. A well thought-out phased reduction in male retirement age would have considerable advantages.

Those in the pensions field who dislike the SERPS argue that men “subsidise women”, through the home responsibilities credit and the rule that allows the survivor to inherit the deceased spouse's benefit, after retirement age. Although this is open to both sexes, again men's shorter life span means that the majority of those benefitting from this are women. Married women for these reasons receive a higher return on their contributions than men. This should be accepted as a justifiable redistribution, taking account of the fact that it is only because women take on the tasks of child care and providing household services that men can work long hours and earn higher wages.

Any changes should follow these guidelines:

- all pensioners should be treated as in-

dividuals, not couples. Disaggregation is as important for the old as for the young. However, too many people have expectations of widow's benefits for these to be swept aside; a long-term phased change over to giving dependants' benefits to true dependants only, of either sex, should be

carefully researched and introduced;

● discrimination in occupational pension schemes must be outlawed;

● the floor of minimum pensions must be set higher, so that those whose earnings have been low are not penalised throughout retirement.

---

## 3. Disability

Lynda Bransbury

**The new survey of handicap and impairment is welcome news. Accurate information on the extent and nature of functional impairment in the population is long overdue. However, given the overwhelming evidence of the additional financial costs of disability and the high incidence of poverty in households with a disabled member, there are many improvements in the benefit system which should not be delayed until the results of the survey are available—perhaps a delay of four or more years.**

Clearly the current lack of knowledge about disabled people and their circumstances inhibits the provision of benefits which can adequately reflect or meet the needs of these people and their carers. But the record of governments in implementing a coherent system of benefits for disabled people in the fifteen years since the first survey of functional impairment provides a history of prevarication and procrastination. That survey showed there were far more people than had been supposed whose disability seriously limited their daily life and caused considerable financial costs (A. Harris et. al. *Handicapped and Impaired in Great Britain* OPCS, 1981). Subsequent research and statistics suggest that even so the first survey seriously underestimated the numbers of people with appreciable handi-

caps. Governments have therefore constantly had to balance the need to provide adequate benefits to meet the costs of disability against the huge financial implications of such provision.

This dilemma has led successive governments to make commitments in principle to the creation of an adequate and comprehensive system of benefits, while in practice dragging their heels or implementing a series of piecemeal benefits with increasingly complex and arbitrary conditions of entitlement. The impetus has been to restrict the number of claimants rather than to create benefits which cater for the needs of disabled people and their carers. Mobility allowance provides a good example. The allowance was phased in, being gradually extended to different age groups. However, for some



years now, there has been no commitment to allow people who develop serious walking difficulties over the age of 65 to claim benefit. Phasing in can often provide a reasonable political solution to the problem of cost but with mobility allowance it is precisely the age group which is most likely to experience walking difficulties which has been specifically and unfairly excluded.

The range of benefits available to disabled people lacks any coherence, logic or equity. All governments have resisted the creation of a comprehensive disability income, primarily on the grounds of cost—latest estimates suggest this would amount to about £3bn. Instead, they have from time to time responded to strong pressure from particular interest groups. Minor changes and piecemeal provision have each introduced further anomalies and created arbitrary, and therefore, inequitable, conditions for claiming different benefits.

## Disabled Women

Nowhere has this process been more apparent than in the history of married and cohabiting women's eligibility for a non-contributory benefit when they are unable to work. These women were originally excluded from non-contributory invalidity pension (NCIP) when it was introduced in 1975. It was argued that the benefit was intended to replace earnings and these women would not normally be in employment, but in the home and financially dependent on their husbands. The Government finally conceded in the face of concerted opposition to allow married women of working age to claim benefit when they were both incapable of paid work *and* incapable of their "normal" occupation—housework. So, the humiliating and unfair household duties test was created to allow these women to claim non-contributory invalidity pension known as HNCIP.

Changing attitudes to the role of women

in the home and statistics on married women's economic activity have successfully challenged the assumptions behind the household duties test. Politicians of all parties have been committed to its abolition. It has endured for so long because of the vital function it plays in limiting the number of claimants. In 1974 it had been estimated that there were 40,000 women "of working age, incapable of doing housework and without basic benefit cover" (*Social Security Provision for Chronically Sick & Disabled People*, HC270, 1974). The stringency of the household duties test was precisely to prevent more women from claiming. The numbers have, in fact, gradually increased over the years, so that by February 1984 there were 50,000 women receiving HNCIP. But as long ago as 1979 Townsend had estimated that there were 95,000 women under 60 who were appreciably handicapped (Peter Townsend, *Poverty in the UK*, 1979). More recently, the Government have admitted that 240,000 women would qualify if they were allowed to claim NCIP on the grounds of incapacity for work alone.

The campaign to abolish the "household duties test" has gained momentum over the past three years. This is in part because of the effect of the EEC Directive on equal treatment between men and women in social security which will come into force in December 1984. The Government have now found a way of abolishing the test without in practice significantly increasing the number of women who can claim benefit. They have introduced a new clause into the Health and Social Security Act, 1984 which means the abolition of non-contributory invalidity pension—NCIP and HNCIP—in November. They will both be replaced by a new benefit—severe disablement allowance. The clear sex discrimination of the household duties test, by which married women have to pass two tests to claim HNCIP, incapacity for paid work and incapacity for housework, will end. Instead all claimants who become incapable of work after the age of

twenty will now have to pass two tests—incapacity for work and 80% loss of faculty—to qualify for the new benefit. Those under 20 will get severe disablement allowance on grounds of incapacity alone.

In practice, the faculty test will be applied primarily to married and cohabiting women, because few men and single women will claim severe disablement allowance after the age of 20. It will also function in the same way as the household duties test in that the vast majority of these women will not be able to pass it. The Government's most optimistic estimate is that a maximum of 20,000 out of 240,000 women currently unable to pass the household duties test—all of whom are incapable of work—will qualify for the new benefit. 16,000 women who have qualified under the previous rule would not meet the new test; those already receiving a pension will transfer to the new benefit, but those in similar circumstances in future will fail to qualify.

So the new benefit, far from producing a more equitable and acceptable system, will introduce further complexities and anomalies into the benefit system. The overt discrimination of HNCIP is being abolished and replaced by implicit discrimination in the new two tier system. One form of discrimination is being replaced with others more subtle and less easy to monitor. For example, the different conditions imposed on claimants above and below the age of 20; the exemption of mobility allowance recipients from the 80% test. Also, NCIP and invalidity benefit were both the same sort of benefit even if they were paid at different rates: they were intended to replace income lost from earnings due to disability or ill health. Severe disablement allowance can be seen as a different tier of benefit which will confuse the need for income replacement with an additional component related to degree of compensation for disability.

The Government have replaced one unsatisfactory benefit with another because

they say they cannot afford to pay benefit to everyone prevented from working by ill health and disability—an estimated increased net cost of £250m. Married and cohabiting women have been singled out as the group to be excluded. This is because there is still a lingering belief that they are in the home anyway and not in need of a basic income.

As a result of a particular group of disabled people being prevented from claiming benefits in their own right—in this case, married and cohabiting women—they also become largely “invisible” in statistical terms. Since 1970 most of the information about disabled people has depended on analysis of benefit claims and registrations for employment and social service provision. We are left with very little idea of the number of women affected or of their household circumstances and needs.

## Women Carers

Nowhere is this lack of information and financial provision more evident than in the position of women carers. Informal carers are the “Welfare State's Forgotten Army.” Even before the heightened political emphasis on the desirability of community care, much social care for frail, elderly and disabled people had been undertaken informally without recompense by family and friends. (See *The Welfare State's Forgotten Army*, Family Policy Studies Centre, 1984, and C. Rossiter & M. Wicks, *Crisis or Challenge: Family Care, Elderly People & Social Policy*, 1982). Voluntary organisations, friends and neighbours can play an important part, but community care is in most instances family care, and within the family it is women who bear the main brunt of caring. In a study conducted for the Equal Opportunities Commission (*Caring for the Elderly and Handicapped: Community Care Policies in Women's Lives*, EOC, 1982), three out of four of those caring for others were women, the

majority being daughters or wives of the dependent person. This in fact goes some way to explaining why the contribution of these informal carers is so undervalued. Women are expected to cope. Trained or not, fit or unwell themselves, whether in paid employment or at home, they are expected to be able to provide sensitive care and to do so without reward.

The recent emphasis on cost effectiveness in social welfare provision has ensured that community care policies have come to the centre of the political stage. The rhetoric of community care is compelling—it is seen as providing more acceptable and sympathetic care for the individual at lower public cost. But a growing body of evidence shows that if community care policies are cheap in direct public expenditure terms, they often entail substantial costs for those who do the caring and their families. It is clear that the significance of this contribution is not ignored, but it is not priced. Thus the 1981 DHSS study on the cost effectiveness of community care shows that “the cost effectiveness of these packages (of caring services) often depends on not putting a financial value on the contribution of informal carers, who may in fact shoulder a considerable financial, social and emotional burden” (DHSS, *Study of Community Care*, 1981).

It is in this context that the Government's attitude to benefits for these women must be viewed. There are direct parallels between the treatment of women prevented from working by their own disability and that of women prevented because they are caring for a disabled or elderly person. Married and cohabiting women are specifically excluded from claiming invalid care allowance which is paid to people who are not working because they care for an attendance allowance recipient. Despite strenuous campaigns and support across all political parties these women will continue to be excluded from entitlement to invalid care allowance when the EEC Directive comes into force in December 1984. When

HNCIP is abolished later this year it will mean that invalid care allowance will be the only benefit in Britain (and indeed Europe) which directly discriminates against women on the grounds of their marital status. There is no political disagreement on the principle of extending this benefit to these women. But in practice the Government have argued that in the face of competing priorities, the cost of this measure could be better spent elsewhere. In reality, even using the Government's own estimates the costs of extending invalid care allowance to these women would be less than £60 million, taking into account savings on means tested and other benefits. These costs can hardly be described as prohibitive in the context of an overall social security budget of £37,000 million p.a.

The Government are able to resist pressure to extend invalid care allowance because there is still an underlying assumption that these women would be “in the home in any event”. Even where there has been a loss of paid work, it is seen as supplemental to the main family income and there is no real belief that these households experience financial hardship. The Government have repeatedly stated that if £60 million were to be spent on community care, they would rather improve the services available to these women than pay them a benefit which would not significantly increase many households' income. These assumptions about the role of women also generate the fear that extending the allowance would simply involve—in the words of a senior DHSS official—“dead weight costs.... in the sense that you would be paying extra expenditure to people who are already doing this without any allowances”.

### **The Need for Action**

The failure to collect adequate information and the manipulation of conditions of entitlement to benefits imposed on both these groups of women exempli-

fies the position of the disabled community as a whole. We need the survey on disability because different sources of statistical information give different estimates of the extent of disability and handicap in the population as a whole. The debate on the "needs" of disabled people is hampered by lack of reliable and up-to-date statistics. This bedevils planning and in a general climate of financial stringency and "competing priorities" disabled people do not have a large enough political voice to get their needs prioritised. At the moment there is no objective base from which to challenge the official costings which argue that the Government cannot "afford" to implement adequate and equitable financial provision.

But this survey is simply being used to delay decisions and defer criticism. The debate on issues of importance to disabled people's standard of living will be stifled while we await the results of the survey. Many of the current anomalies and inequities could be immediately eradicated by:

- extending invalid care allowance to married and cohabiting women
- extending invalid care allowance to anyone prevented from working because they are caring for a disabled or elderly person
- providing benefits to everyone who is unable to work because of disability or ill health purely on the grounds of incapacity
- paying non-contributory benefits at the same level as their contributory equivalents.
- creating more flexible social security and income taxation so that disabled people and carers who are able to do part time or intermittent paid work are not financially penalised by doing so

In the longer term, disabled people have a right to a comprehensive disability income which treats similarly people with similar disabilities and handicaps together with realistic cost allowances. The current estimates for the costs of such a scheme is £3 billion. This cost is not prohibitive.

## 4. Benefits for Children and Young People

### Child Benefit

Jonathan Bradshaw

Child benefits will cost £4,300 million in 1984/85—13 per cent of the total social security budget. The review of benefits for children and young people covers the whole range of benefits for children including one-parent benefit and family income supplement. The purpose of the review is “to see if better use can be made of resources and staff within the present overall level of social security expenditure”. A good deal of attention is being focused on provision for 16–20 years olds. But also some fundamental questions are being asked about “the present range and structure of benefits”, “the amount of redistribution to families with children”, “the balance between one and two parent families”, the relationship between in work and out of work benefits and the basis of entitlement—whether it should be conferred through contributions, parental income or in other ways.

Compared with previous governments—both Labour and Conservative—the Thatcher Government have at least up-rated child benefit in most years. The level of benefit was higher in real terms in November 1983 than it had been since the start of child benefit in 1977, and higher than the combined value of family allowances and child tax allowances in the years since 1963. As a proportion of average earnings it now matches the level achieved by the Labour Government in its last up-

rating in 1979. Since 1980 the benefit has been increased each year. All this has been achieved partly due to a major annual campaign mounted in Parliament and elsewhere and supported by, among others, many Conservative backbenchers, the Conservative Women's Federation and the churches. The Labour Party's belief that a unified provision for children instead of the divisive provision of child tax allowances and family allowance would gain middle class support for reg-

ular uprating has been borne out in practice.

However, the Government still favour cuts in taxation as against improvements in child benefits. The Chief Secretary to the Treasury justified increasing personal tax allowance by 7 per cent above the rate of inflation in the last budget while only maintaining the value of child benefit on the mistaken grounds that it was a better way of dealing with the poverty trap. Quite a lot of people, including Mrs Fowler and Mrs Lawson, do not need the child benefits they receive. Increasing child benefit is very expensive—it costs £5.5 million to increase child benefit by 1p. Is there a case for reducing the level of benefits or redirecting them in some way?

What arguments can be used in favour of maintaining child benefit?

**1** Despite the Government's increases, the level of child benefit for most families is still lower in real terms than the value of family allowances and child tax allowances were for standard rate taxpayers throughout the 1940s and 1950s.

**2** Child benefit is integral to the tax threshold. Now that child tax allowances no longer exist, child benefit is the only means of maintaining equity in the tax burden—for seeing that the tax a family pays is related to that family's needs.

**3** Already there has been a steady erosion of the position of families with children relative to single people and childless couples.

**4** Any reduction in child benefit will narrow the differentials between income in work and income in unemployment and thus exacerbate the unemployment trap.

**5** Compared with other countries in Europe, Britain does not have a particularly high level of child support. In 1982 child benefit for a two child family in the UK represented 9.7 per cent of average disposable income compared with 21.2 per cent in France, 17.3 per cent in

Belgium, 10.7 per cent in Netherlands and 7.9 per cent in Germany.

**6** Child benefit plays a vital part in maintaining the income of many families. The 1981 analysis of the Family Expenditure Survey revealed that 3.7 million children were living in families at or below the poverty line (up to 140 per cent of supplementary benefit (SB) income). That is 1 in 4 children. Child benefit represented 22 per cent of the net income of families in the lowest quintile of equivalent income in 1982.

There is a case, therefore, for increasing rather than reducing the overall resources being paid in child benefit. Should they however be targetted differently? There are a number of ways in which existing (or increased) expenditure on child benefits could be varied. This could be done either by type of child or parent, or by income.

## Age Relation

Older children cost more. However families with younger children are less likely to have two breadwinners and therefore more likely to be living in poverty. To pay higher benefits to older children would improve the income of the better off at the expense of the poorer. There may be a stronger case for paying a higher child benefit as a form of home responsibility payment to the parent of a child under five. Such a reform was proposed by a number of bodies in the context of the Green Paper on the Taxation of Husband and Wife. However, there would be administrative complications involved in this reform and, in addition, the Government would probably balk at introducing a benefit which was withdrawn when the child reached five because of its implications that now the mother should work and add to the army of the unemployed. But as a measure of compensating for the suspension of earned employment on the part of the mother and

helping the young family this is an important long-term means of bringing about a more equitable income structure.

## Family Size

There are no very good reasons for varying the level of benefit with the number of children in the family. Although larger families are more likely to be in poverty, most poor families are small families and research by Piachaud has shown that there is little to be gained in the relief of poverty by complicating the scheme in this way (David Piachaud, *The Distribution and Re-distribution of incomes*, 1982).

## Single Parents

There has been a steady increase in the take-up of one parent benefit but at its present level it is really little more than a gesture towards the kind of one-parent benefit that exists in many other countries. About half of single parents are dependent on supplementary benefit and therefore would not gain from an increase in OPB. The poorest single parents in work already benefit from special arrangements in Family Income Supplement. The vast majority of poor families in work are two parent families. For all these reasons, there really is no case for increasing one parent benefit as an alternative to child benefit.

There are broadly two ways in which child benefit might be varied with income:

**1 Making the benefit taxable.** It would be possible to tax child benefit in order to concentrate help on poorer families. But this would be to ignore the function of child benefit in relation to personal tax allowances. In combination, child benefit and personal tax allowances define the tax threshold. If tax thresholds of personal tax allowances remained at their present levels and child benefit were taxed, the vast majority of recipients,

including many poor families, would pay tax. This might not matter so much to them if the benefit were grossed up to compensate for the tax paid. But husbands would also be paying tax on their wives' child benefit and the taxing of child benefit would lead to pressure for the reintroduction of child tax allowances. A system of individual taxation would be required. One way of targeting the taxation of child benefit would be to tax it only on the income of two-earner families.

**2 Means-tested child benefit.** In the Family Income Supplement we already have a means tested child benefit. There are a number of ways in which child benefit could be entirely income related. However, there are number of difficulties with such a reform. It would be resisted by many people including Conservative voters and MPs. Child benefits are not as unpopular as many politicians suppose. In the MORI poll for Breadline Britain only 23 per cent of Conservative voters thought that child benefits were too high. Many families if not poor are hard-pressed and would resist the withdrawing of their benefit. If to meet the resistance the benefit continued to be paid up to quite high incomes then very large numbers of families would be involved in means-testing. This might be feasible if income tax returns were capable of providing a flexible and automatic basis for allocating child benefit but it is not certain, that even after the computerisation of PAYE, this would be possible. There are problems, for example, in relating the separate earnings in many households of husband and wife. A separate means-test that focussed the benefit on low income families would face the same problems of take up which are found with FIS. Furthermore any income-related child benefit would exacerbate the poverty trap which would be against the Government's commitment to increase incentives to work. But perhaps above all the

main objection is that it would be a breach of the universal principle that the cost of child rearing is something that the whole community should contribute to regardless of need. It represents a commitment by society to the next generation—one aspect of solidarity. It is a collective task with collective benefits—no different from defence, except that it is altogether more valuable.

In the light of their commitment to family

stability, the Government would find it extremely difficult to justify reducing support to families with children while the single and childless continue to benefit disproportionately from tax cuts. Furthermore, the Social Services Secretary stated in the House [27.6.83], "I give the Hon. Gentlemen a categorical guarantee about child benefit. We do not intend and never intended to change the basis of that benefit".

## The 16-18 Age Group

### Howard Glennerster

One real and pressing problem the enquiry should address is the mess into which financial assistance for this age group has fallen. Once more the form of the enquiry is not matched to the nature of the problem. At issue are not merely DHSS benefits but payments by the Manpower Services Commission to those on youth training schemes and maintenance allowances given by local education authorities. The chaos produces effects that are economically perverse. The financial incentives to young people are perverse because:

- It appears financially advantageous for a young person to leave school. If they stay on into the sixth form their families qualify for the meanest of benefits over and above child benefit only if they are very poor and the young person gets nothing. If they leave school with no job they can receive direct support from the DHSS or the M.S.C.

- If a young person who has left school takes a full time course in further education he or she will lose supplementary benefit. The twenty-one hour rule limits the amount of study they can undertake and has even called in question the hours spent on homework.
- Employers are paid if they take on young people under the very rudimentary Youth "Training" Scheme but not if they train apprentices.

The present system is also unfair. Parents with children at university or doing degrees elsewhere get relatively generous support. Parents who are expected to sustain unemployed youngsters or those on poorly paid apprenticeships or training schemes are themselves particularly likely to be on low incomes if not actually unemployed. Any new system of finance must be based on the principles of financial equality which would encourage young people to enter training and en-



courage employers to provide training.

This would involve:

- A comprehensive scheme which covered *all* 16–18 year olds following an approved full-time course of training or education either in college or at school or in employment.
- An allowance would be paid for those in schools, colleges and employment equivalent to slightly more than the non-householder supplementary benefit rate—say, £20 a week. It would be passed on to the young person on condition of satisfactory attendance as student grants now are.
- Approved courses would include A levels, other approved academic courses, and apprenticeships in addition to an improved two year youth training scheme. The approval could be the responsibility of the Manpower Services Commission who would also pay the allowances. Schools and further education colleges would act as agents having the responsibility of putting together a coherent package of education and training as would employers.
- Existing sources of funding would be phased out—education maintenance

allowances, supplementary benefit except in exceptional circumstances, child benefit, the youth training scheme and the young workers scheme. These payments would all be replaced by the new youth training allowance. Those who choose not to be employed or trained would receive nothing.

- A scheme of this kind might cost £1000m. a year now (net) though this would fall as the age group declines in the next decade. The effects would be to subsidise youth training and employment, remove perverse financial initiatives and introduce equity between young people following different routes through education and training. Separate systems of training and student support for over 18 year olds are probably inevitable but would be built on a more coherent foundation under this scheme.

What has to be opposed is the possibility that the Government might simply withdraw entitlement of 16–18 year old people to supplementary benefit. This would impoverish as well as prematurely break up many families.

# 5. Housing Benefit

**Michael Hill**

**The case for the integration of the housing support provided through subsidies to local authority tenants with that given to owner occupiers in the form of tax relief has been debated since the mid 1960s (D.A. Nevitt, *Housing Taxation & Subsidies*, 1966). The development of the subsidisation of housing through rent and rate rebates and rent allowances, reaching its most comprehensive form after the 1972 Housing Finance Act, added another dimension to this issue. An important facet of the latter was the relationship between this form of rent and rate support and the method by which housing costs are taken into account in supplementary benefit (SB) calculations.**

The review of housing finance initiated by the 1974 Labour Government examined these issues and came to the conclusion that it was too difficult to develop a single integrated form of housing subsidy (*Housing Policy*, Cmnd.685, 1977). It ducked the difficult political issue to be tackled if the mortgage interest subsidy to owner occupiers were to be reformed. However, the experience of operating the 1972 Housing Finance Act during the 1970s indicated that the relationship between rent support through 'rebates' (used here as a generic term to embrace rent allowances) and through the SB scheme was far from satisfactory.

Official concern thus shifted from the examination of the case for a more equitable housing subsidy system to recognition of the anomalies arising from the coexistence of two means tested rent support systems. After an initial battle between central government and the local authorities about where the cost of rent support should fall, the post 1972 system began to manifest as its principal anomaly what became known as the 'better off

problem': some recipients of rent support through the SB system would have been better off on rebates, and vice versa.

The review of the SB scheme carried out in the late 1970s recognised the case for the development of a unified housing benefit to contribute to the simplification of the system and solve the 'better off' problem (*Social Assistance*, DHSS, 1978, paras 7.1-7.7). But the review team's requirement to keep the cost of changes low and avoid creating a large category of losers inhibited proposals for reforms. The new Thatcher Government was less inclined to worry about the latter constraint, and saw the introduction of housing benefit as a way to contribute to its commitment to reducing the number of civil servants.

Hence, under the provisions of the Social Security and Housing Benefits Act 1982, most of the housing support responsibilities contained in the SB scheme were transferred to local authorities, in a way which partially integrated these with rent rebates, rent allowances and rate rebates. People qualifying for SB were to qualify

for support from local authorities, to the extent of their full 'eligible' rent and rates, minus any non-dependent contributions. The existing 'rebate' schemes were to operate for others, including those who lost SB as a result of the changeover because they had been getting that benefit at levels below the amount of their housing costs. To prevent some in this group getting less benefit than before, because of the way the 'needs allowance' and 'taper' system works in the rebates schemes, a new benefit, housing benefit supplement, was devised. The whole change was rendered 'nil cost' in benefit terms by the increase in the taper rate above the needs allowance, hence most existing rebate claimants got less benefit. Subsequently, during 1984, the Government has increased the taper again, in two stages, in order to further reduce the cost of the scheme to the exchequer.

A recent report by SHAC rightly points out that "Housing benefit represents a unification of the administration, but not of the structure, of the dual system of means-tested housing assistance as it existed before April 1983. As a result, most of the problems of the previous system remain while new difficulties have been created by the reform" (*Housing Benefit: the Way Forward*, SHAC, 1984). But even that criticism is perhaps too kind to the scheme. Administration is not unified inasmuch as people entitled to SB have to apply to two agencies, DHSS and the local authorities, for help. Moreover the procedure for assessing housing benefit supplement, which entails comparing SB and HB assessments, involves both organisations in a three part interaction of a particularly ponderous kind. It is the administrative problems of the new scheme, involving serious delays in benefit payments and substantial incidence of both over and under payment of benefit, which have attracted attention since its introduction. There are good reasons to suggest these are more than 'teething troubles'. (See M.J. Hill, *Housing Benefit Implementation*, School for Advanced

Urban Studies, Bristol, 1983).

No significant research has yet been done on the impact of housing benefit on claimants (but see NACAB, *Housing Benefit: no cost to the claimant*, 1984). Discussions with local authority staff administering the scheme, however, suggest a variety of problems about it. The processes of movement of claimants on and off SB and therefore on and off 'certificated benefit' (that is HB paid on receipt of a document from DHSS certifying receipt of SB) cause substantial problems of administration. Certificated housing allowances are particularly difficult to operate as in these cases local authorities need information about private sector rents and rates, and have to make cash payments to claimants. Rebates are less problematical since local authorities generally already possess the relevant information and merely have to cease to collect the money. However, even with rebates, rules about 'non-dependent' contributions towards rent and rates, cause problems. Finally, in this list of major problems about the scheme, the rules relating to the administration of housing benefit supplement (HBS) are difficult to operate, and the 'better off problem' remains because HB recipients and local authority staff find it difficult to identify HBS.

The best case that can be made for the new scheme is that it does begin a process of cutting down the varied, and sometimes conflicting, forms of rent support available. It needs to be seen in the context of the Government's shift away from general subsidies for local authority housing. Britain is rapidly moving towards a situation in which the only general subsidy for council tenants is provided by the rebate scheme. The logical way to continue this process would be similarly to develop a rebate system to subsidise low income mortgage payers and end SB assistance with this kind of housing cost. Such a development might accompany the withdrawal of the present indiscriminate subsidy of mortgage interest payments.

However, if that is the way forward, steps need to be taken to simplify the housing benefit scheme. Such simplification as has already occurred has been achieved at the expense of low income households. The review of the scheme being carried out for the Government may merely continue the process of 'rough justice' simplification. Any other approach must be costly. Alternative proposals for reform need to take that into account. The most radical of those alternatives involves reviving the idea of a general housing allowance provided for all families out of general taxation to replace both housing benefit and mortgage interest relief. While further exploration of that approach is appropriate in the long run, there are more modest alternatives which involve equitable ways of improving the housing benefit scheme.

What makes housing benefit so complicated is the lack of equivalence between the SB requirement rules and the HB needs and taper rules. These need to be made more compatible so that any householder with an income (whether earned or unearned) at SB level is entitled to full HB support. The tapering off of HB should then only operate above that level. Both housing benefit supplement and, probably, the ponderous certification procedure could then be eliminated.

That alternative to the present scheme is easy to state in this bald way. In practice, it is more complicated, and of course more costly. Let me deal with the complexities first. One of these is that SB has both a long term and a short term rate, and SB requirements may include additional items. Whilst one might cope with the former by making some differentiation within HB, that would be complicated for non-pensioners. The best way forward here involves the abolition of the short-term rate. Additions to SB allowances raise further difficulties. The HB needs allowance might be set a little above the SB level to meet these but an element of 'rough justice' might remain. Another difficulty is that SB uses 'net income' in its

calculations whilst HB uses gross. In fact, if HB calculations were to shift to net this would reduce complications, and sometimes injustices, for low earners, and would reduce the extent of the 'poverty trap' problems with which the operation of the tapers is associated. The present treatment of water rates also needs attention. They are additional requirements for SB that are ignored for HB calculations purposes. There are complicated special arrangements at present to deal with certificated HB recipients who pay inclusive water rates; these are themselves in need of reform. The appropriate way forward is to allow, as is already the case in Northern Ireland, water rates to be taken into account in all HB assessments. Finally, the special HB scales for the disabled might cause problems. In general the overall upward shifts in the scheme would reduce the most obviously disadvantageous effects of their elimination. They are inevitably crudely administered at present, and do not provide a particularly satisfactory or equitable means of channelling help to the disabled.

A few more minor issues also need attention. At the moment, the rules about non-dependent deductions are complicated, have been manipulated by the Government to reduce the cost of the scheme, and cause widespread dissatisfaction. Whilst it seems wrong to suggest that in no circumstances should adult members of claimants' households make contributions towards rent, the present scheme could be made much more simple and fair if such elements were not required of 'children' under 21 or of any persons not in full time work and were otherwise operated at a single rate.

Another area in which problems are developing concerns the rules available to enable authorities to refuse to meet high rents in full. Whilst it is right that there should be such rules to prevent abuse of the scheme, the absence of effective rent regulation in the private sector, and particularly the growth of 'licences' as opposed to 'tenancies', means that rent

restriction can cause hardship for tenants. Effective reform here requires a review of landlord-tenant law.

Finally, it is clear that the HB scheme operates particularly badly when household circumstances change frequently. There is a need to develop for HB some rules, not unlike the rules relating to Family Income Supplement, which could enable payments to remain at the same level for a period despite income fluctuations. Such rules would most appro-

priately operate to prevent reduction but not enhancement of benefit.

It is essential that the housing benefit review should secure and publish cost estimates of the various options for reform of the scheme. A significant source of further resources for the scheme could be provided through the phasing out of mortgage interest assistance, replacing it, as suggested above, by a mortgage rebate scheme within housing benefit.

---

## 6. Supplementary Benefit

**Richard Silburn**

**The Supplementary Benefit Scheme (SB) is a continuing and constant source of confusion and difficulty for claimants and DHSS staff alike. Some of the root causes for this lie outside SB itself and are to be found in shortcomings elsewhere within the system of social security which then impact, disastrously, upon SB. In particular the contributory National Insurance scheme fails to provide an adequate range of benefits, at adequate levels of payment, for adequate periods of time. The consequence is that ever increasing numbers of people are driven to claim means tested benefit, sometimes to supplement their National Insurance benefits, sometimes to replace them once entitlement is exhausted, and sometimes because their needs are not covered by National Insurance at all.**

Thus for many years SB has been called upon to meet needs of a variety and of a scale for which it was neither designed nor intended. The criticisms directed against the National Assistance Board, the Supplementary Benefits Commission, and now most recently the DHSS have in-

creased steadily as the numbers wholly or partly dependent on SB have increased. A service that at its inception was intended to deal with small numbers of people in unusual or unpredictable circumstances (and hence was endowed with considerable flexibility and discretion as to

how its powers should be exercised) has been expected to cope with ever growing numbers of people in circumstances of real hardship, but in many cases hardship of an entirely predictable, and to that extent preventable, kind.

One persistent response to these criticisms has been to seek to simplify the scheme. One of the reasons for client dissatisfaction, it is alleged, is because of the complexity of the system, with its different rates of benefit for different groups of claimants, and the number of payments that might be made over and above the basic scale rate entitlements. Simplification will lead to a smoother, more streamlined administration, more readily understood by both staff and claimant. One driving force behind the discussions that led in 1978 to the DHSS review, *Social Assistance*, and later to the 1980 reforms, was a belief that simplification would lead to an improvement in the standard of service delivery as the administrative task was made easier. These hopes have not been fulfilled. The reliance upon legal regulation (in place of officer discretion) has created a jungle of regulations that are not perceived by claimants and their advisers as either simpler or fairer. Moreover, any administrative relief has been grossly undermined by the substantial increase in the number of claimants since 1980 imposing extra burdens on an already stretched staff. The result is quite unacceptable delays in meeting needs, even of an urgent nature, while claimant resentment and frustration is compounded by the legalistic jargon in which what still appears to be arbitrary decision-making is justified.

Simplification of administrative procedures can normally only be achieved at the price of 'rough justice', because administrative simplification implies cruder categorisation of need, and restrictions and limitations on the investigations that are undertaken with the attendant danger that important areas of need (particularly needs of a less commonly encountered kind) will go unnoticed and unmet. For

example, the number of age-related additions for dependent children was reduced in 1980 from four to two. This will have made the calculation of a family's entitlement somewhat easier, and will reduce the occasions for periodic upratings, but the two rates that now apply do not accurately or adequately reflect the very different patterns of expenditure that children at different ages impose upon a family budget. Again, great anxiety was expressed in the late 1970s about the so-called 'frontier problems' between different agencies each of which had the power to make payments in respect of specific needs, leading to overlapping authority. This has been partly dealt with in one regulation which excludes from consideration for payment by means of an SB single payment any item which might be supplied by another agency. This has certainly simplified the administration of SB and clarified one area of possible confusion, but it had also meant in practice that many claimants must now do without items which they badly need. Further exercises in simplification of this kind may help to ease some of the problems experienced by the office, but will do little to help the claimants. Increasing reliance upon computer technology may well create as many fresh difficulties as it resolves old ones, but it will certainly interpose a further unwelcome level of mystification and spurious authority between the claimant and the administration. Simplifications and technological improvements of this kind may well have something of value to contribute, but they are usually of limited value, and always are considerably less useful than the exaggerated claims made by those who advocate them. In no case can they substitute for substantive social policy.

Many of the difficulties will remain acute as long as the needs of millions of claimants and their dependants continue to be met by a means-tested system of social assistance where the investigation of individual circumstances remains at the heart of the test of entitlement. The first

aim of the SB review should be to find ways of greatly reducing the numbers of claimants driven to apply for means-tested benefit at all, and to enable SB to fulfill its original purpose of dealing (on an individual basis) with residual pockets of need. The first priority must be to create a social security system where the means test is the last, not the first, resort.

By far the greatest increment to social security would follow from economic recovery. No other social or economic change could effect the same transformation in material or moral circumstances; economic recovery would give work, increase employment opportunities, and hence financial independence to many currently relying on the dole, and it would indirectly benefit many more people, as economic growth generated resources, widened and strengthened the tax base, and made policies of income redistribution both more feasible and more politically acceptable. Economic recovery could transform many of today's claimants from net receivers of resources to net contributors. A soundly based and steady economic recovery is a prerequisite of a positive view of social security, and to urge such a recovery is neither Utopian nor fanciful. The present very high levels of unemployment cannot be accepted either as permanent or necessary.

Are there any particular groups of people who could be taken outside the scope of means-tested benefit altogether? The answer must be an emphatic yes, although to do so will require important changes elsewhere in the social security system, and will certainly cost significant sums of money. But the benefits that would accrue would be considerable both for those taken off SB and for those who remain behind.

Historically, National Assistance has been mainly concerned with the needs of the elderly; the majority of claimants were pensioners until as recently as 1981. In fact the gross number of supplementary pensioners has remained very steady through-

out the past 20 years at about 1.8 million. SB is a service which has dealt with the needs of the elderly for many years, and the detail of the regulations reflects this experience. Moreover, the circumstances of retirement pensioners are liable to change less frequently and less dramatically than those of people of working age. Certainly, improvements in occupational and state pension provision may reduce the number of pensioners who require supplementary help, but the likelihood is that a substantial number, particularly of the elderly, will continue to need additional cash resources for the foreseeable future, and some system of social assistance will be needed to provide these resources. The principal alternatives would be some proposal to 'blanket in' very elderly pensioners to the state earnings-related pension scheme, or to extend to pensions an additional right to an allowance graduated according to the severity of disablement.

The unemployed, however, might not need to remain dependent on SB. Here three things are at once apparent. First, more than any other group of claimants, the numbers of unemployed claiming benefits of any kind will be reduced most substantially through an expansion of job opportunities. Secondly, in the present situation of long-term unemployment for a growing proportion of the unemployed, the limitations of contribution based and short term unemployment benefit are apparent. The most recent social security statistics for example (for 1982/83) show that in November 1982 there were 678,000 men receiving unemployment benefit, just over one third of whom were receiving means tested supplementary allowance (normally because of their family responsibilities). In the same month SB was supporting 1,722,000 unemployed claimants of whom 1,437,000 were receiving no contributory benefit at all. Frequently this was because the claimant had exhausted his entitlement to 312 days of unemployment benefit. If the close linkage between National Insurance contributions and short term benefits were to be broken, and

unemployment benefit were to be paid at the same rate as pensions and for as long as the period of unemployment lasted, then dependence upon means-tested supplements would be reduced, at least for those without dependants. A major justification of this whole scheme would be the abolition of the short term rate of supplementary benefit.

Thirdly there is a major group of unemployed claimants in their teens and twenties who are wholly dependent upon SB because they have never obtained employment for long enough to satisfy the contribution requirements for National Insurance benefits. This group of claimants, many of whom have been on benefit since leaving school, include many who are now of an age to contemplate marriage, but have never had the opportunity to earn and to save, and who have no capital resources of their own; they are a most underprivileged and demoralised group. Their experience of SB in recent years has been dismaying. Official ambivalence as to how this group's needs should be met is revealed by the controversies about (for example) their rights when seeking part-time education, the meeting of their housing requirements or their requests for help with purchase of furniture and household effects. This is a large and growing group of claimants for whom some more appropriate income maintenance measures separate from the means-tested SB are badly needed.

Another group of claimants whose needs should be met by measures other than SB as proposed above are single parent families. Important changes in social attitudes and customs have weakened the bonds of marriage, and substantial numbers of people, usually women, and often without independently acquired entitlements to contributory benefits, cope with the responsibilities of raising families alone, and are dependent upon SB. Although this group is not required to register for work, and so will in due course be paid the long term rate of benefit, and although the regulations con-

cerning part-time earning disregards are somewhat more generous for single parents than for other claimants, it remains the case that many of these families experience very real hardship. It is of considerable importance that they should be better provided for. This is so above all for the sake of the children; in too many cases the loss of a normal family life is accompanied by a host of further linked deprivations, hardship and foregone opportunities. The children's need for protection and the recognition of the social importance of their mother's continuing care must be acknowledged. It is now 10 years since the Finer Committee presented detailed arguments in favour of a guaranteed maintenance allowance separate from SB, and it may be that this proposal, or better a non means-tested version of it, should once again be given serious consideration.

If the numbers claiming SB could be substantially reduced by the development of more appropriate parallel systems of social security then the standard of service to the residual groups could be greatly improved. Implied in everything that has been said, however, is the notion that the level of benefit should be adequate to enable claimants to live normal lives. where the scale rates are too low to allow this, then improvements in the bureaucracy or the methods by which the crucial decisions are taken and explained, however useful in themselves, will not provide claimants with the social security they need, and a civilised society should provide.

The critical strategy therefore is to increase and extend benefits as a right including comprehensive benefits for the disabled by much more than increases in supplementary benefit. In the past politicians have hesitated to go in this direction because of the criticism that those who are regarded as the poorest (then on SB) should have as large an increase as those who are not. What this argument ignores is two crucial facts. First, the substantial number who have rights to claim SB but do not exercise them. These are



the poorest of all. Second, the stigmatising experience of being on SB at all. The only real answer to the formidable problem of the administration of SB is to reduce its

scope so that the existing complement of staff can be given the time and the training to give an efficient and humane service to those who will still need to claim.

---

## 7. Low Pay and Means-Tested Benefits

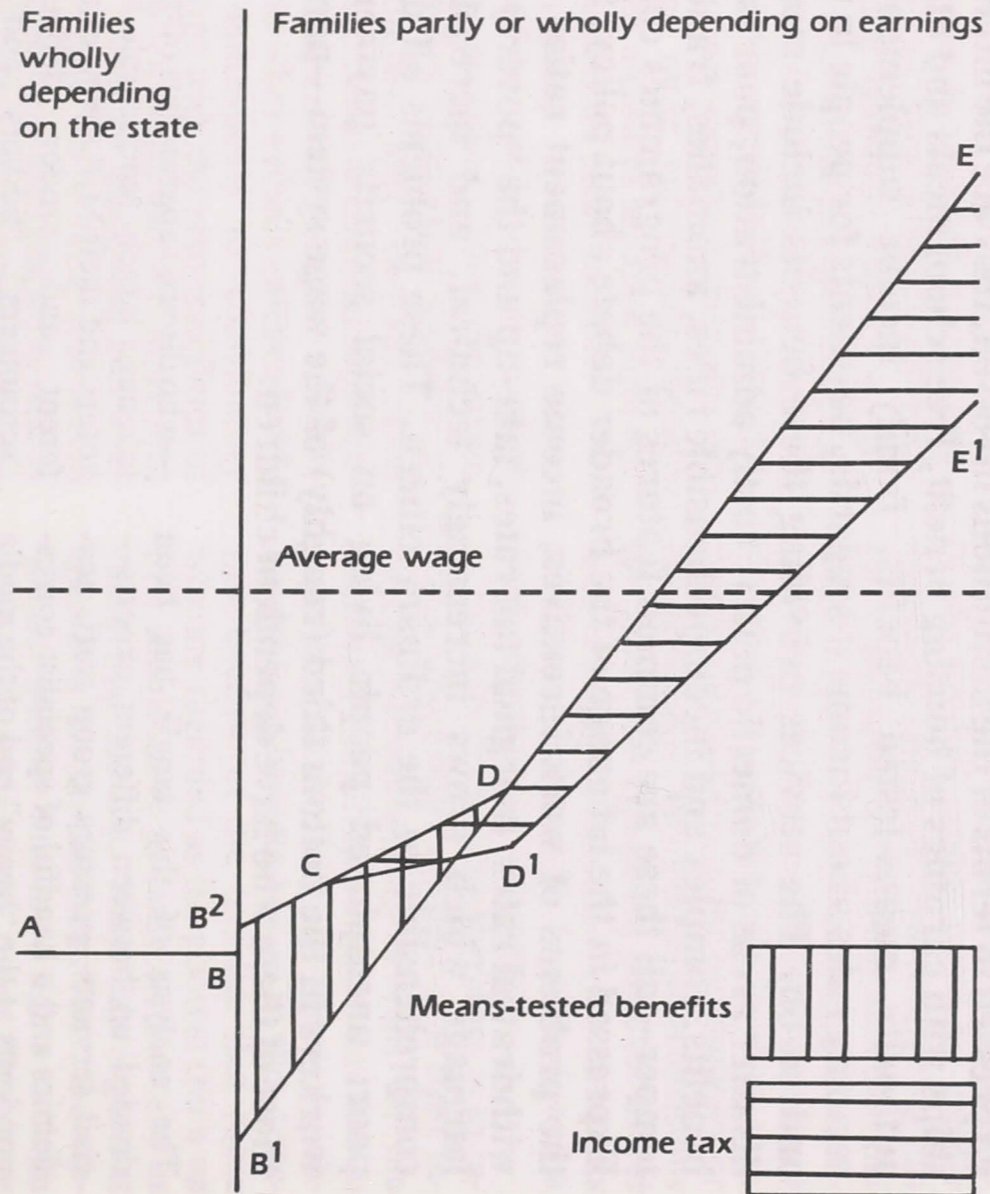
David Donnison

On the overlapping frontiers of government programmes for social security, taxation, employment services and housing subsidies there lie a cluster of particularly difficult problems of policy and of administration. Expressed in terms of the institutions involved, they are the interrelationships with earnings of housing benefit, free school meals and other local authority means-tested benefits, family income supplement, social security rules about income disregards, payments for people in training, and so on. The services providing these benefits include most of the disaster areas of domestic policy: costly administration, poor take-up of benefits, complex and incomprehensible rules, anomalies, fraud and ill-temper—all these are common features of the programmes concerned. Expressed in the language of the broader debate about policy, these are the problems of work incentives, income replacement ratios, benefits withdrawal rates, marginal tax rates, take-up and the “poverty trap”: a language which grows increasingly technical, and increasingly incomprehensible to the ordinary citizen. These problems all affect the poor: unemployed people living on social security payments, and workers in the bottom third (roughly) of the wage system—particularly those of them who have dependent children.

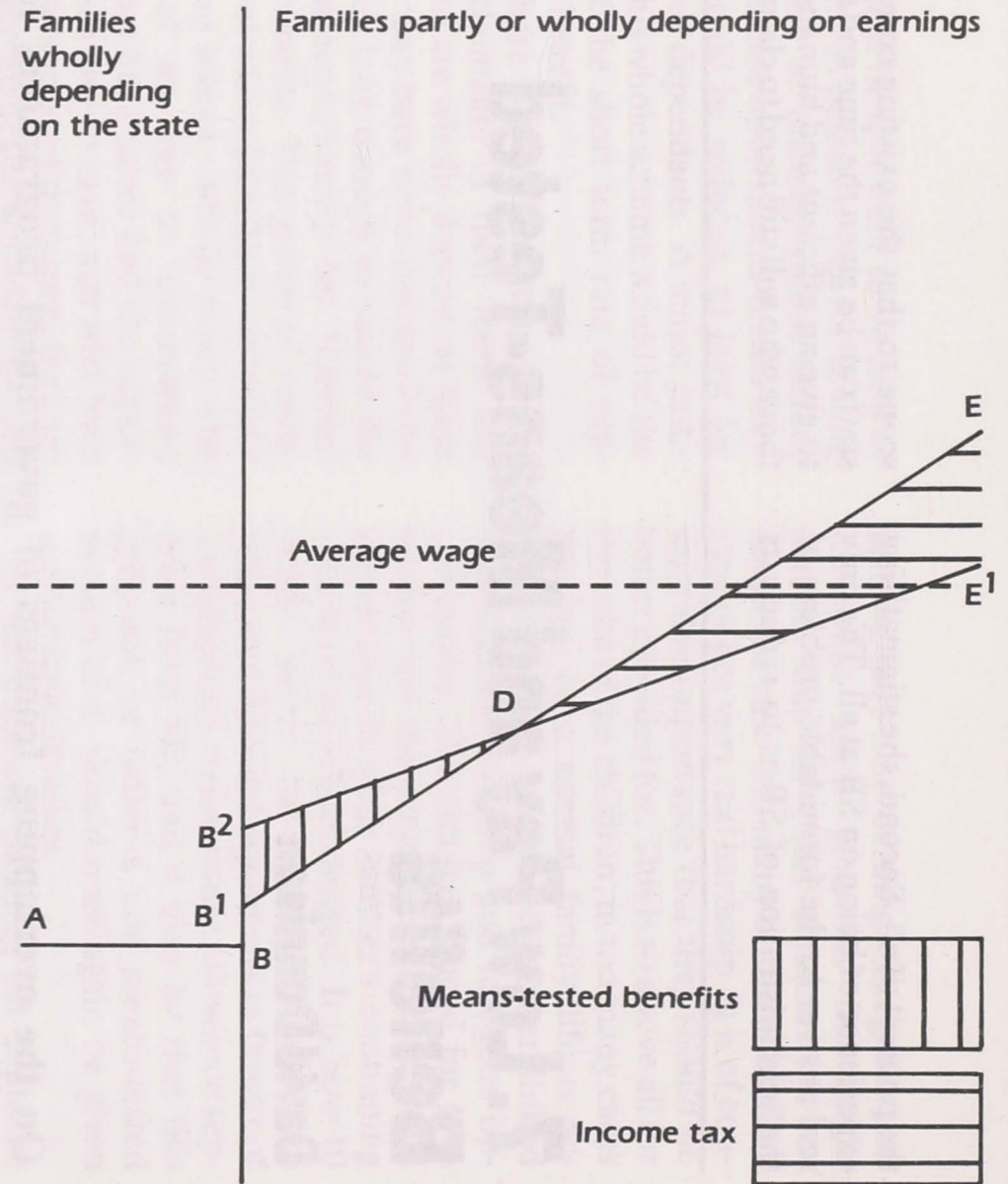
The analysis of this tangle has been divided up between different experts—civil servants, pressure group staff, academics and a handful of specialist correspondents at the “heavy” end of the media

—who discuss separate bits of the tangle in language largely inaccessible to ordinary voters and their M.P.s who engage in different and cruder debates about “scroungers”, “fiddlers” and so on. In

### 1 Incomes of households with dependent children A notional illustration



### 2 Incomes of households with dependent children A potential alternative



each of these debates the fundamental issue is the same, and very simple.

Building on a long tradition, which began with Charles Booth's and Seebohm Rowntree's first studies of poverty and the early years of the Labour movement, the nation has established through Parliament everyone's entitlement to an assured minimum standard of living—an entitlement which is expressed in legislation about social security benefits, housing subsidies, free school meals, a free health service and so on. For people with no other means of support this minimum standard is pretty bleak, but not too difficult to administer to those who apply through supplementary benefits, housing benefit, free school meals, free N.H.S. prescriptions, and other programmes. They offer a guaranteed minimum to those who take up the benefits, for which the money figures involved depend largely on the number of dependants a household has to support and the rent they have to pay.

The really difficult problems begin as soon as someone in the household starts to earn money, because the minimum wages earned by low-paid workers, part-time workers, and trainees fall well below the minimum guaranteed by Parliament for a household with dependent children. The state has responded in three partly overlapping ways: (1) by continuing social benefits and disregarding part of the earnings of some low-paid workers in the households concerned; (2) by giving means-tested benefits to low-paid workers and gradually tapering them off if earnings increase; and (3) by gradually tapering in obligations to pay income tax and insurance contributions.

For a household of given size paying a given rent, the income they could get can in principle be represented in a diagram which greatly simplifies reality (figure 1.) While wholly dependent on the state their income is shown by line A B. If they have children to support and the chief economic supporter of the household starts to earn money, their income would drop to B<sup>1</sup> and then, if his or her earnings increase,

rise through the average wage to E tracing the line A B B<sup>1</sup> D E. (For the single and childless, minimum wages will nearly always be well above the social security level.) Because the drop in income experienced at the point when the household's chief supporter enters work is not tolerable, we have added means-tested benefits for low-paid workers which gradually taper off as their earnings increase. Taking these into account, the household's income follows, notionally, the line A B B<sup>2</sup> D E. But these and other public services are paid for partly by income-related taxes which taper in from a low level of incomes. Thus the household's post-benefit, post-tax income notionally follows the line A B B<sup>2</sup> C D<sup>1</sup> E<sup>1</sup>.

All of this is of course exceedingly "notional". In practice the means-tested benefits do not taper off smoothly but are suddenly withdrawn or reduced in steps, producing sharply jagged changes of direction in these lines, and they are part of a much larger system of benefits which, far from tapering out altogether, gives proportionately more to the rich than to the poor. Meanwhile at least half of the people entitled to means-tested benefits like family income supplement fail altogether to get them.

However the diagram, precisely because it is presented in this idealised form, shows there are bound to be problems about public concern over work incentives, about temptations to fraud, and about a poverty trap—a belt of incomes (B<sup>2</sup> C D<sup>1</sup> in this diagram) over which little real progress in living standards can be made—in any system of this kind, no matter how well designed and well administered it may be.

The only, but obvious, solution to these problems—a solution from which we tend to be distracted by all the experts' talk about replacement ratios and the like—is to modify the steep gradient of incomes. By tilting this line somewhat, without coming anywhere near the horizontal of complete equality—that is to say by paying the low-paid rather more and the

highly paid rather less—we could reduce the role of family income supplement and other unpopular and ineffectual means-tested benefits, and greatly simplify and reduce the remaining ones such as housing benefit. A notional representation of household incomes might then look more like figure 2. The post-benefit, post-tax trajectory of income would pass through the points of A B B<sup>2</sup> D E<sup>1</sup>. The triangle representing means-tested benefits would be smaller and cheaper. The gradient of income would be similar throughout the range, once people started to earn. And the peculiarly difficult belt of income arising from the simultaneous tapering in of tax and tapering out of means-tested benefits could be greatly reduced or even (as in this notional figure) abolished.

To achieve this will call for a reappraisal of deeply rooted traditions about differentials and the taboos which inhibit public discussion of incomes. But that discussion cannot even begin until we recognise that many of our public services, providing subsidised housing and housing benefits, free education and free school meals, free health services and the like have grown up as politically acceptable ways of bringing about what we want but are reluctant to tackle head-on: a redistribution of incomes which enables people with dependent children and low earning capacity to attain the minimum standards of living

which we regard as tolerable.

What needs to be stressed is that the problem of the poverty trap arises crucially in families with children, where earnings plus child benefit are insufficient to provide the bare and bleak minimum laid down for those on supplementary benefit. This minimum is widely recognised to be insufficient because the allowances for children are inadequate. Thus the problem cannot be solved by reducing supplementary benefit rates. Any increase in child benefit rates will ease the problem but a total solution by this means would be prohibitively expensive. Nor is it a solution to tax child benefit in view of current low tax thresholds. Thus the key lies in raising minimum earnings. And this in turn does not make sense unless paid for by lower maximum earnings. By pressing only for higher benefits, the left colludes with the right by not facing up to this central issue.

The objection to maximum pay levels is that this will lead to the emigration of able managers to countries which do not impose such restrictions. Hence this is an issue which must be faced by the European Community as a whole as part of its battle against poverty. The problem of poverty can only be solved by reducing top earnings. This is the reality which has to be recognised.

# Conclusion

**Peter Townsend, Brian Abel-Smith & Hilary Land**

**As pointed out at the start of this pamphlet, we challenge both the social and the economic assumptions of the Thatcher Government in its approach to social security policy. We refuse to accept the constraints in the terms of reference of the Fowler enquiries and protest at the hurried manner in which they are being conducted. The time scale is too short and the reviews are far from being as independent as Ministers would have us believe. But it is not enough to expose the Government's stultifying approach. There is an ambitious, socially responsible but at the same time practical and realistic alternative.**

What does this alternative comprise? We have demonstrated above that money can be found to pay all existing commitments to pensioners. Portable pensions provide no answer to the problem of security in old age. Security can only be provided by a state scheme. Existing occupational pensions discriminate not just against early leavers but also against women. So in some ways does the existing state scheme. Discrimination against women is, however, a much more formidable characteristic of current inadequate provisions for the disabled and a comprehensive reform is required. We pointed out that there is no tolerable way in which child benefit can be made selective and reminded the Government that it was committed not to do so: the rate can be increased and supported by other measures. The only solution we could see to the tangled problems of supplementary benefit was to reduce substantially its scope by improvements and extensions of benefits as of right particularly for the disabled, one-parent families, children and young people and the unemployed. We

suggested a number of ways in which the housing benefit scheme could be simplified and improved. Finally, we pointed out that the ways to reduce the poverty trap and the associated social and administrative problems was to get rid of low pay and this involved the introduction not just of minimum rates of pay but of maximum rates as well.

As we have argued, at the heart of the Tory policy is the justification of social inequality and of individual and sectional aggrandisement at the expense of the common good. At the heart of any democratic socialist alternative must be a belief in social equality and a determination to establish institutions for the common good. A clearer definition deserves to be given of the objectives of greater equality of incomes and wealth. In general terms socialist aspirations have remained the same for generations. They need to be translated into a strategy and programme for action. Fundamental changes in economic, political and social structure will be necessary. We need changes in the organisation and nature of work, the devolution

to the local community of major functions, the much greater participation of the individual in local affairs, and the deliberate creation of occupational opportunities and a much higher standard of living for people who are now poor.

What is that strategy? We believe, first, in moving as rapidly as possible towards more equal living standards for the whole population. Necessarily this involves some transformation of the system of allocating wealth and income. There are difficulties of course in distributing scarce resources, or giving access to them; in allowing for the income needs of dependants, or indeed in reducing the material advantages of the economically active in comparison with the economically inactive; and in defining, for example, what additional income people with disabilities require in order to secure the same rights and standards of living as the non-disabled. All these difficulties have to be discussed if an acceptable basis for distribution is to be found.

In developing this theme there is the crucial issue about the choice of the basic unit for the receipt of benefit and the assessment of need. Should it be the individual, the couple or the household? It is no longer enough to be the family because forty years ago it was accepted that an elderly person had a right to a pension (whether contributory or means-tested) even if he or she was living with a son or daughter capable of providing economic support. The review of benefits for children and young people will touch on this issue because one aspect of the debate about their rights to benefit is how much, if at all, they are expected to be dependent upon their parents. However, the issue requires much broader consideration. In the contributory national insurance scheme the movement has been towards giving the individual rights to benefit irrespective of household or marital status. This is the trend in other European countries also and if equal treatment for men and women in social security is to be achieved as the 1978 EEC directive re-

quires, this must be the direction future developments take. Women have a need for, and a right to, an income when they are out of paid employment just as much as men have. Women's earnings are a vital contribution to the economic support of their families and caring for the sick, the old, and children is socially useful and necessary work. This should be recognised and women who care for their families should no longer be forced into dependency on their husbands.

Second, the allocation of resources must not just be *corrective*. In the post-war period socialists have paid too much attention to the question of modifying the outcomes of capitalist organisations, including gross salaries and wages, and too little to the question of applying particular principles to the allocation of income and wealth. Wage differentials reflect differences in status, jobs and amenities which need themselves to be examined and changed, not just because they are basic to money inequalities but because they cannot be justified. Action to change the nature of work and reduce differentials will also make much easier the encouragement of enthusiastic public support for greater equality. More control has to be exerted by the community over the kinds of jobs that exist and are useful, and the kinds of public services which ought to be readily available. It is the community, and not the capitalist entrepreneur or state bureaucrat who should decide what kind of life deserves to be led and how that might be organised. The reconstruction of society and not just the redistribution of resources must be the objective of social policy.

Third, we believe that equality of power, or democracy, can and must be given substantial effect through social policy. Devolution of the management of social services and forms of employment to the local community; greater accountability of professionals, administrators and political and trade union representatives; clearer definition of individual rights—especially as recipients or clients of social

services; and higher standards of universal education at older and not only younger ages, are among the strategies we have in mind.

The policies to be adopted to fulfil these objectives will be outlined. Essentially, as we have said, we seek to reduce top and increase bottom incomes. The argument begins with the need for dramatic improvements in the lowest incomes. Many families who receive supplementary benefit experience deprivation. Many have incomes below that standard. The circumstances of a quarter of the population must be, and can be, improved. A more generous and realistic standard of income must be adopted for both wage earners and the unemployed, and the relationship between the two kept in the forefront of socialist strategy. The rates of different types of benefits paid as of right must be increased relative to wages. There must be higher rates of child benefit and of housing allowances to help the low paid in particular and higher minimum earnings especially for women.

In the early stages of a future Labour Government legislation can be introduced to define minimum and maximum earnings; raise child benefit and the range of social security benefits; introduce new benefits like the comprehensive disablement allowance; and greatly increase revenue, by widening the tax base, changing the form of income taxation to encourage equity and introduce a wealth tax and an accessions tax. At a second stage there would be measures to coordinate the relationship between wages and state benefits. Steps would also be taken to restrict inheritance of substantial private property and the accumulation of assets, as well as evolve a more equitable incomes structure—perhaps on principles drawn in part from current expressions of a “social dividend”.

However, a careful distinction must be made between social dividend and negative income tax proposals. The former develops the coverage of “universal” benefits. The latter usually amounts in fact

to a return to the worst of the tradition of means-testing in social security, and must be opposed root and branch. This applies as much to recent proposals like those of the Institute of Fiscal Studies as to those of Professor Patrick Minford.

What has to be recognised is a need for *structural* change and not just piece-meal reform, and for the gradual adoption of new institutions and agencies as well as the reorganisation of existing institutions. Considerable attention will have to be paid throughout to the question of harnessing public opinion in support of each step in an orderly process.

There are therefore a number of tasks for socialists. One is to achieve agreement about the clearer definition of the objective of social equality. In recent years socialist aspirations have been too ambiguous, with insufficient awareness, certainly in Labour Party policy statements, that a defined reduction of inequality would allow a politically realistic strategy to be adopted. The objective has to be related to the present social structure and distribution of income. In short, a feasible social plan has to be constructed. The Labour Party must seek to go a lot further than the faltering exposition of, for example, the “Social Contract” of 1974–75. In devising such a plan and arranging it into stages or phases, there will necessarily have to be consultation at different levels of the Party. If there is to be a real change in British society it has to be a people’s plan and not just a leaders’ plan.

Secondly, changes of policy and legislative practice must not be regarded as ends in themselves but as initial steps in introducing new institutions and institutional practices as well as adapting old ones. Thus legislation for a maximum and minimum wage should be consolidated through the overhaul of pay negotiation machinery and the development of guidelines about numbers of grades, equal opportunities for women and the disabled, and the introduction of pay comparabilities from top to bottom of the wage scale. Some forms of indirect remuneration

ation may have to be extended to all employees, or prohibited or properly taxed on grounds of tax avoidance or unjustifiable social discrimination. Conditions of work between different grades of employees will need to be equalised.

Nowhere do the reviews consider the implications of the changing structure of employment. For example, there has been a dramatic increase in the numbers of part-time jobs so that now they comprise over 21% of all jobs compared with 5% thirty years ago. This has important implications for wages policies and the tax and social security systems. A shorter working day enables those with caring responsibilities to fulfil them as well as participating in the labour market. This is to be welcomed. However, currently part-time employees have low wage rates and growing numbers are excluded from both state and occupational benefits. This needs reviewing and the assumption that all employees work full-time needs challenging.

The third task is to convince the public of the desirability of a modern programme of socialism. While there are disconcerting features of public opinion in Britain, for example, expressions of opinion about nationalism or imperialism, and strong elements of sexism and racism, and beliefs in widespread abuse of the 'welfare state', there is powerful support for better social services, more progressive taxation and a general reduction in the inequalities between rich and poor. Thus, in the recent survey for London Weekend Television sixty-three per cent said that the Government should increase taxation on the rich; and seventy-four per cent agreed that the gap between rich and poor was too wide.

There are grounds for believing, then, that a vigorous and specific campaign against social inequality would succeed in present day Britain. We have seen that there are opportunities of bringing about a big reduction in inequality, combined with a major enhancement of the standards of living of millions of poor people, through a programme of redistribution. At a first stage it would include much higher benefits as of right; a maximum and a minimum wage; a wider tax base, a more progressive structure of personal income tax, and the introduction of various wealth taxes, including an accessions tax; and the introduction of a major programme of permanent employment for both production and service. But these reforms would have to be followed up, and developed at further stages by a gradual transformation of the institutional structures underlying present social divisions in Britain. New conceptions of social income, equality between the sexes within the family as well as within the community, and community power as well as community service would have to be translated into empirical practice. This is a fundamental retort to the Government's short-sighted and selfish approach to the welfare state illustrated by the Fowler enquiries. The poor are not a burden upon the state, from whom savings have to be found. They are a precious potential asset who have been increasingly denied opportunity for themselves and their families to grow and to flourish. A modest cutting back of the affluence of the richest twenty per cent can release the resources required both to provide a decent standard of living and regenerate the entire energies of the British population.



# Recent Fabian Pamphlets

## Tracts

471 John Bowers, Suzanne Franks	Race and affirmative action	£1.50
472 John May	Justice, welfare and juvenile delinquents	£1.50
473 Paul Wilding	Socialism and professionalism	£1.50
475 Robin Cook	No nukes!	£1.50
476 Stuart Bell	How to abolish the Lords	£1.50
478 Margaret Legum, Jenny Little, Donald Roy, David Stephen	Against all reason: Britain and South Africa in the eighties	£1.50
479 Roy Kohn	Enforced leisure: enforced education	£1.50
480 ed. David Lipsey	Making government work	£1.50
481 David Basnett	The future of collective bargaining	£1.50
482 Betty Vernon	Margaret Cole 1892-1980	£1.50
483 Tom Ellis, Rosaleen Hughes, Phillip Whitehead	Electoral reform	£1.50
484 Christopher Harvie	Against metropolis	£1.50
485 Bryan Gould, Shaun Stewart, John Mills, Austin Mitchell	Economic recovery: what Labour must do	£1.50
486 Nicholas Kaldor	The economic consequences of Mrs Thatcher	£1.50
487 David Donnison	Urban policies: a new approach	£1.00
488 Emma MacLennan, Chris Pond, Jill Sullivan	Low pay: Labour's response	£1.50
489 Roy Hattersley, Eric Heffer, Neil Kinnock, Peter Shore	Labour's choices	£0.90
490 David Downes	Law and order: theft of an issue	£1.50
491 David Blunkett, Geoff Green	Building from the bottom: the Sheffield experience	£1.50
492 Keith Ewing	The Conservatives, trade unions, and political funding	£1.50
493 G. Bernard Shaw	The Fabian Society: its early history (reprinted with a preface by Melvyn Bragg)	£1.50
494 Raymond Plant	Equality, markets and the State	£1.50
495 Bernard Crick	Socialist values and time	£1.50
496 Anthony Wright, John Stewart, Nicholas Deakin	Socialism and decentralisation	£1.50
497 Carl James	Occupational pensions: the failure of private welfare	£1.50

## Special Centenary Publications

100 Years of Fabian Socialism	£2.50
-------------------------------	-------

## Books available from the Fabian Society

ed. Howard Glennerster	The Future of the Welfare State (Heinemann, 1983)	<i>paper</i> £5.95
eds. M. Cannell & N. Citrine	Citrine's ABC of Chairmanship (NCLC, 1982)	<i>paper</i> £3.50
Special offers: eds. Nick Bosanquet & Peter Townsend	Labour and Equality (Heinemann, 1980)	<i>paper</i> £2.50 <i>cased</i> £4.00
Norman & Jeanne McKenzie	The First Fabians (Quartet, 1977)	<i>paper</i> £1.50
J.P.M. Millar	The Labour College Movement	<i>cased</i> £5.50

**Postage:** books 50p per title (ABC of Chairmanship 30p), pamphlets post free.

## **SOCIAL SECURITY: THE REAL AGENDA**

**Although the Government have set up a long overdue inquiry into the Social Security system, little confidence can be placed in the Fowler Reviews, built as they are on a narrowly partisan ideology of welfare.**

*Brian Abel-Smith* and *Peter Townsend* challenge the assumptions of the Government that public expenditure and therefore general taxation are too high; that private pension schemes are more desirable than those under public management; that society should be more unequal; and finally that even adequate benefits cannot be afforded.

Expert contributors review each of the areas covered by the inquiries: pensions, disablement, benefits for children and young persons, housing benefit and supplementary benefit.

They argue for an ambitious, socially responsible and realistic Social Security system which views the poor as a precious potential asset and not as a burden upon the State - a system, moreover, which can be financed by a modest reduction of the affluence of the country's richest twenty per cent.

The Fabian Society exists to further socialist education and research. Since 1884 it has enrolled thoughtful socialists who wish to discuss the essential questions of democratic socialism in a changing world. Beyond this the Society has no collective policy. It is affiliated to the Labour Party. Anyone who is not ineligible for membership of the Labour Party is eligible for full membership; others may become associate members. For membership and publications details, write to: Ian Martin, General Secretary, Fabian Society, 11 Dartmouth Street, London SW1H 9BN.

**£1.50**



THE HISTORY OF THE UNITED STATES

The history of the United States is a story of growth and expansion. From a small collection of colonies on the eastern coast, the nation grew to encompass a vast continent. This growth was driven by a desire for land, resources, and a new political identity. The American Revolution was a pivotal moment, establishing the United States as an independent nation. The subsequent years saw the westward expansion of the frontier, the development of a strong industrial base, and the emergence of a powerful political system. The Civil War was a defining event, resolving the issue of slavery and preserving the Union. The Reconstruction era followed, a period of significant social and political change. The late 19th and early 20th centuries were marked by rapid industrialization and the rise of a new era of progressivism. The United States emerged as a global superpower after World War II, playing a central role in the Cold War and the development of the modern world.

The United States has a rich and diverse cultural heritage. It is a land of immigrants, where people from many different backgrounds have come to build a new life. This diversity has shaped the nation's identity and contributed to its strength. The American dream, the belief that anyone can achieve success through hard work and determination, is a central theme in the nation's history. The United States has made significant contributions to science, technology, and the arts. It has led the world in many areas, from space exploration to the development of the internet. The United States is a country of opportunity and hope, a place where people can realize their dreams and make a difference in the world.



