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JOHN VEIT-WILSON'S PAPERS  
ON CONCEPTS, DEFINITIONS AND MEASURES OF POVERTY,  
ON INCOME ADEQUACY AND ON MINIMUM INCOME STANDARDS.**

**NB: this is the original text of the article below. John Veit-Wilson asserts his moral right to be identified as the author of this work.**

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**RESPONSE TO THE DWP CONSULTATION PAPER, CM 6730 DATED JANUARY 2006,  
'A NEW DEAL FOR WELFARE: EMPOWERING PEOPLE TO WORK'**

***Introduction.***

This response raises important underlying issues which must be addressed before the matters in the consultation can be dealt with properly –

- labour market demand,
- the relations between activity and income,
- the human right to an adequate income,
- and the measures of income adequacy and differentials.

It raises the problem that many of the uncertainties in UK government policy making derive from a persistent lack of political understanding of the relations between the ideas of need, deprivation and poverty on the one hand and the various tiers of labour market rewards and other parts of the income maintenance system on the other. It points to issues which the government has omitted from the DWP paper and which it presumably has not considered, but which affect the whole welfare reform agenda and which it ought to address in all parts of its income maintenance and tax policies.

The government and the DWP need to keep in mind that if they do not face these issues now, they will be left behind the growing movement to review how to make human social rights effective (as the Irish Human Rights Commission has recently done<sup>1</sup>) and to establish governmental minimum income standards (MIS: the Joseph Rowntree Foundation is launching research into MIS for the UK). The DWP has still not acknowledged that its predecessor, the National Assistance Board, actually carried out triangulation research on the adequacy of benefit rates as long ago as 1965.<sup>2</sup> These are important matters and the precedents from the past and the present show that they are not being ignored by others. The government should face them now.

***Labour market demand.***

The consultation paper is almost entirely about what government proposes to do to raise the capacities and skills people can supply to the labour market. This is only one half of the problem. The other half is the role that government can and should play in stimulating the labour market demand for those 'hard to employ' and, in the last resort, offering work to all capable of it. A full employment policy which recognised this as a role for government today as it was recognised in the past would go some way to solving the problems which the DWP paper identifies. It is puzzling that the Secretary of State, John Hutton, can tell Radio 4<sup>3</sup> that "the availability of work is crucial to all this" (meaning the

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<sup>1</sup> IHRC 2005.

<sup>2</sup> NAB 1965: The Windsor Report, "An Examination of the Adult Scale Rates". See also Veit-Wilson 1999.

<sup>3</sup> BBC Radio 4 'You and Yours', Tuesday 28 March 2006, 12.56 pm.

welfare reform agenda) and yet omit it from the paper. The point has been recognised for decades. Lord Beveridge expressed it as follows in 1944.

In 1938, the last full year of peace, there were on average nearly 1,900,000 persons unemployed in Britain and Northern Ireland. In 1943 there were about 100,000 and nearly a quarter of these were unsuitable for ordinary industrial work; this represents an unemployment rate in the neighbourhood of ½ per cent. ... The figures cited are a statistical presentation of what has now become a commonplace: that the only sovereign remedy yet discovered by democracies for unemployment is total war.<sup>4</sup>

The point often missed is that the employed population were the same people who were not wanted by employers before the war; indeed, some contemporaries used phrases like ‘unemployable’ to describe about a million or so, and treated their unemployment as irreducible. Yet when war needed their labour, they became employable: their skills, abilities and motivation did not change but employers’ demand for them did. Beveridge naturally acknowledged that total war was incompatible with peace time conditions, but, like many before and since, recommended steps by which governments could maintain the demand for labour. It is obvious that as long as the current government fails to address the question of labour market demand, no attempt to make non-employed people fit for the labour market will succeed in dealing with the problems it identifies in the paper. If workers are not profitable for employers, or if employers have the range of workers they want, increasing the skills of the hard-to-employ will not get them jobs. The real problem is how to motivate unwilling employers, not workers.

### ***The relations between activity and income.***

Many social scientists, some economists among them, have long observed that people do not behave in as simple a manner as non-expert versions of economic theory suppose. Many factors are known to affect and constrain people’s decisions about the work they do and their capacities to pursue it and other activities in their lives. The consultation paper does not reflect this evidence. What is known is that people seek meaningful activity, and they need adequate incomes. The two do not necessarily go together.

The consultation paper rightly refers to the wide range of activities which people with long-term disabilities may need help and encouragement to find and carry out. A person may suffer from a medically-recognised condition which prevents them from working, temporarily or permanently, at whatever job they are normally capable of and employed at, but at the same time they may not be prevented from other activities which do not involve those capacities or which are not remunerative, and which may be actively therapeutic or socially valuable. Scroungerphobia based on uninformed people seeing others who are ‘off work sick’ or disabled being active in some other ways is a bad basis for policy decisions. Any individual’s capacity for employment can be judged only in their labour market specific context and cannot be read off simply from tests of their functional capacity at a single point in time and under examination conditions.

The DWP paper fails to clarify the issue of the relations between the disciplines and rewards of the labour market on the one hand and, on the other, the need for income maintenance at decency levels for those whom the labour market rejects, for whatever reason – lack of capacity to work according to such disciplines (unreliability of disability from day to day over time), lack of saleable and profitable skills, age or otherwise. To argue that decent incomes for the disabled are a disincentive to return to the labour market is not only to miss the point but, if one believes in the idea of marginal incentives, suggests a failure to understand that this is not a reflection of the generosity of incapacity benefits but of the inadequacy of earnings for those not being offered decently paid work by any employer. The DWP needs to act on the extensive evidence that low incomes are themselves harmful because poverty causes illness and incapacity. Adequate incomes in and out of work would prevent some of the incapacities from arising in the first place.

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<sup>4</sup> William Beveridge, *Full Employment in a Free Society: A Summary by Sir William Beveridge*, New Statesman and Reynolds News, London, 1944, pp 14-15.

It is paradoxical that unemployment is in fact the most highly desired social status. Most people's highest aspiration is to win, earn or save enough money not to have to work, in other words to become unemployed or, at a later stage of life, retired. The social evil is the belief that some unemployed people are doing so at the expense of those who are working. Depending crucially on the political perspective employed, this criticism may apply with greater strength to those whose income comes directly or indirectly from business profits for which they have not worked themselves, which is a highly valued status, than to those who have paid premiums to insurance schemes (including the government's National Insurance which was set up for this purpose) against the contingency of finding no employer willing to pay them. The problem is not unemployment but poverty.

If such moral or political judgements are to be excluded from the analysis, as no doubt they should be, then the key issue becomes clear – if a person is fit for and capable of doing a certain kind of work and there is no employer willing to pay them a living wage to do that work, then several international conventions give them a human social right to an income adequate for human dignity, decency and social participation (as that society can be shown to concretise those concepts in practice), and lay the corresponding duty to provide it upon signatory governments.

### ***The Human Right to an adequate income.***

By a series of international and European conventions on human rights which the UK government has ratified, it is committed to offering adequate income maintenance in all situations – to workers, to their dependent families if they have them, to people outside the labour market, and to all the excluded for whatever reason. Ever since the United Nations *Universal Declaration on Human Rights* in 1948 there has been a string of declarations and reports which refer to the right to security and adequate levels of living. The terminology most of them use is exemplified by the statement in the EC *Joint Report on Social Inclusion* of 2002 that governments should aim to guarantee (with emphases added) “an *adequate* income and resources to live in *human dignity*: the challenge is to ensure that all men, women and children have a *sufficient* income to lead life with *dignity* and to *participate in society as full members*”.<sup>5</sup> The EU also requires Member States to ensure that everyone has access to ‘a wage *sufficient* to enable them to have a *decent* standard of living’<sup>6</sup> and also to ‘*adequate* social protection’<sup>7</sup>, and adequacy here means the level of income and not its source. Income adequacy is an empirical question, and as long as demonstrable poverty persists, which the government admits, and there is no empirical evidence of incomes adequate to overcome it we may assume that the problem of unfulfilled rights to social security and social assistance continues.

It is not clear if this problem is fully understood at UK governmental levels. Its political commentators run two parallel arguments as if there were no connection between them. One is framed in economic discourse about the assumed demands and imperatives of economic globalisation which threaten the maintenance of the UK's economic success. The other adopts a social integration discourse and concerns the meaning of social protection rights, whose rights they are and who is responsible for meeting them. The economic argument assumes the government's role is to implement the rights by maintaining low pay and low taxes so that the exigencies of global trade can steadily make profits for shareholders, often rationalised by a trickle-down model of economic development benefiting all. In the integrationist discourse it is to maintain incomes in and out of work for all and protect the population from global trade exigencies. Yet they are deeply connected and demand, at the very least, to be demystified and debated openly.

The government must therefore publicly explain the priorities it gives to social or economic objectives. It constantly asserts that poverty can and will best be overcome in the waged labour market, but seems unaware that the evidence is against it. Not only does its own HBAI information show that more than half of all the children in poverty continue to live in working households, but international comparative research reinforces the fact that, as the economist Didier Fouarge put it, writing about the potential for *Minimum protection from an economic perspective* after having studied it very intensively,

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<sup>5</sup> EC 2002 p 27.

<sup>6</sup> EC 1989, para 5.

<sup>7</sup> EC 1989, para 10.

Comparison of pre-and post-government poverty rates makes it clear that the market does a much poorer job than the welfare state in preventing poverty in the short, medium and long term. ... For all the countries – including the liberal Great Britain – it is not the market that prevents long-term poverty. It is through government intervention that poverty is successfully tackled.<sup>8</sup>

The implication for reliance on the labour market is that government must ensure that there is always a buoyant *demand* for labour of all kinds, irrespective of competitive skills, where the minimum wage rates must be not less than adequate, and that for those who cannot find work, or for whom employment cannot be created, the government's income maintenance system must also pay adequate benefits.<sup>9</sup> The same of course applies to those who are rightly outside the labour market temporarily or permanently.

The UN *Universal Declaration of Human Rights* (1948), article 22, is often quoted because of its reference to everyone's 'right to social security', but the substance is added by article 25's reference to "the right to a standard of living adequate for the health and wellbeing" of everyone. But some commentators prefer the greater scope of the *International Covenant on Economic, Social and Cultural Rights* (1966). Article 9 is an unequivocal statement of the right to social security, but it contains no explanation of the content of the concept, beyond the statement which shows its breadth. Article 11 states that the signatories "recognise the right of everyone to an adequate standard of living" and that the signatories "will take appropriate steps to ensure the realisation of this right".

The old evasive arguments that these international conventions are mere rhetoric are dismissed by the UN expert jurists' explicit statement of the *Limburg Principles on the Implementation of the ICESCR* (1986) and their *Maastricht Guidelines on Violations of Economic, Social and Cultural Rights* (1997) that –

4. It is now undisputed that all human rights are indivisible, interdependent, interrelated and of equal importance for human dignity. Therefore, *states are as responsible for violations of economic, social and cultural rights as they are for violations of civil and political rights.*<sup>10</sup>

The international jurists who wrote these guidelines for the UN considered them to be a reflection of the contemporary state of international law, designed to be used by all monitors and judges of violations of economic, social and cultural rights, at national, regional and international levels. Those who continue to object to treating social rights as full human rights and to the concrete implementation of such declarations should pay careful attention to the published report of an Irish Human Rights Commission international conference in December 2005, which sets out clearly the nature of the rights and the variety of means for their implementation.<sup>11</sup> There should therefore be no need to waste any further time on this old argument.

While the search for a basis for UK governmental minimum income standards continues (and methods are outlined below), the government should start by taking seriously the guidance offered by the Maastricht Guidelines on the implementation of the Limburg Principles. Signatory states must "take appropriate legislative, administrative, budgetary, judicial and other measures towards the full realization of such rights" (paragraph 6); the fact that it takes time to achieve full realisation of rights does not exempt states from doing so progressively (para 8) and budget problems cannot be used as an objection (para 10). Violations would include failing to provide 'an adequate replacement' for eliminated social security schemes (para 13) or the "reduction or diversion of specific public expenditure, when such reduction or diversion results in the non-enjoyment of such rights and is not accompanied by adequate measures to ensure minimum subsistence rights for everyone" (para 14.g). Remedies are also provided for by the ICESCR – "victims ... should have access to effective judicial or other appropriate remedies at both national and international levels" (para 22) and to restitution (para 23). In short, the ICESCR extends unambiguous rights to social security as generally understood; as Angelos Stergiou puts it –

<sup>8</sup> Fouarge 2004 p 156.

<sup>9</sup> For the implications for minimum income tiers and differentials, see Veit-Wilson 1998 pp 34-38.

<sup>10</sup> Maastricht Guidelines 1997, article 4; emphasis added.

<sup>11</sup> See IHRC website. The IHRC Discussion Document (IHRC 2005) reviews the background issues at length.

More specifically, social rights constitute a defined state objective that compels the legislator to adopt all the more advanced (and appropriate) social measures that are in compliance with these rights. ... Legislators are not free to abrogate social rights to which they themselves have given specific substance. In this sense, the defensive aspect of social rights is legally enforceable.<sup>12</sup>

However, commentators recognise that signatory governments still have to be compelled to enforce the rights they nominally endorse. In considering the detail of rights which would include an adequate income, it can be argued that there is no principled difference between enforcing the detailed contents of article II-91(2) of the EU *Charter of Fundamental Rights*<sup>13</sup> which states that “every worker has the right to limitation of maximum working hours, to daily and weekly rest periods and to an annual period of paid leave”, and interpreting article II-94(3) which states that –

In order to combat social exclusion and poverty, the Union recognises and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources, in accordance with the rules laid down by Union law and national laws and practices. (emphasis added)

Such interpretation and enforcement would naturally have to take account of article II-61 which states *tout court* that “Human dignity is inviolable. It must be respected and protected”. The only apparent difference between the rights offered by these articles is that the citizen’s right to decent employment conditions is held against the employer, under sanction by the government, but the right to decent minimum incomes respecting human dignity is held against the government, which unjustly admits no sanctions. Why the UK government offers contradictory political responses to these similar human rights deserves investigation and prompt action; it is the kind of inconsistency in its treatment of human rights which a Labour Government should address at once as soon as it becomes aware of it.

### **What is an adequate income?**

An income for a household of one or more persons is adequate if it enables all the members of that household demonstrably to meet the criteria set out in the human rights declarations above and elsewhere. That means it must be sufficient to enable people, following the patterns of behaviour and consumption which are treated as normal in the society to which they belong, to be treated as decent members of that society, to participate fully in all aspects of it which any decent person is expected to be able to do if they choose. Adequacy is not generous (as a commentator remarked, no one boasts of going on an adequate holiday). It is sufficient for the purpose but not more.

The right to make market and other expenditure choices on the basis of an adequate disposable income is key to the values of UK society. As the political Liberal Lord Beveridge put it, writing about the recommendations of his report in 1942,

... it is of the essence of insurance benefit that *being given as of right* it should not take too detailed account of how individuals spend their income. Freedom to spend is part of essential freedom.<sup>14</sup>

This would make no sense if the income were not adequate. It must also be sufficient to enable people to feel that their human dignity is respected as full members of society. This indispensable attribute of dignity and respect is not observed when benefits which people have paid for as insurance, giving contractual rights to claim when the contingency insured against is incurred, are treated by government as if they were not contractual rights but changeable and payable at the discretion of the government.

Disposable income may not be the only resource required for these ends but it an indispensable resource – government attempts to counter social exclusion and further social inclusion by means other than ensuring income adequacy fail if they do not simultaneously counter market

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<sup>12</sup> Stergiou 2003 p 196.

<sup>13</sup> As set out in the draft Constitution.

<sup>14</sup> Beveridge, letter to Seebohm Rowntree, 18 August 1942; emphasis added.

exclusion in the social value context of the government's belief in supremacy for markets and choices in markets. Political rhetoric which often answers the inadequacy of cash benefits by pointing to other government policies for social inclusion entirely misses the point that this is not an either/or matter but a both/and. In demonstrable fact, adequate income is not only an ineluctably necessary resource but it may also be sufficient. The DWP paper is not concerned about the problems suffered by those who are not dependent, partially or wholly, on income maintenance benefits, which suggests that it realises that income adequacy is the key to people's ability to find and make their own solutions to the problems outlined in the paper, even if that awareness is not acknowledged by the paper's authors. Until all household members have access to adequate incomes, other policies to relieve the social problems which are closely associated with inadequate incomes over time – poor health, premature mortality, low attainments, certain asocial behaviours – may be vitiated. It has long been obvious that all UK governments ought to start by guaranteeing adequate incomes before they spend time and money on social policies which require people to have adequate incomes if such policies are to be successful. To fail to provide them will negate the government's otherwise good intentions.

### ***The need for agreed governmental minimum income standards (MIS).<sup>15</sup>***

It is strange that, five years after the Select Committee reported on the need to establish governmental standards against which to measure income adequacy<sup>16</sup>, the consultation paper makes no reference to the subject. The DWP may not have known about the Joseph Rowntree Foundation's current initiative to establish minimum income standards, but it ought as a matter of routine to have followed up what the NAB did forty years ago<sup>17</sup> and continued to use triangulation methods to monitor the adequacy of benefit rates regularly. If any government has not tried to find out if its income maintenance benefits are adequate for their goals, it cannot claim to be serious about promoting welfare or combating poverty and social exclusion.

There are two problems which can be addressed by governmental minimum income standards. One is the determination of income adequacy. The other is the relationship between the different tiers of the income scale at the lower end, which affects perceptions of differentials and incentives. Whether those differentials and incentives are empirically effective in behavioural terms is a different question from how they are perceived by politicians and policy-makers, as well as the general public. For these political purposes, it is desirable for the minimum incomes to be both popularly demonstrable as adequate for their ends and also differentiated in such a way that popular beliefs about incentives to earning-work are maintained.

### ***The aims and methods of setting governmental minimum income standards.***

MIS are neither social science poverty measures (although they may be based on them), nor are they simply political decisions on where to set the benefit rates (though they may affect them). As politicians repeatedly point out, social scientists disagree on where to set poverty lines – though what they in fact disagree about is where poverty lines may be found, depending on the disparate purposes for which they seek them and the variety of disciplinary and other methods they use for discovering them. Similarly, social security benefit rates are set in terms of what the Treasury believes can be afforded, not in terms of what people need for the implementation of their human rights to decency, human dignity and demonstrable adequacy for social participation.

The purpose of MIS is to offer governments a politically and popularly credible standard against which to assess the adequacy of the various tiers of the income maintenance system. The credibility of a MIS depends not on assertion by politicians but on the experience of the population as a whole that the level of living the standards support is a reasonable minimum for maintaining human dignity and enabling social participation as the population defines it. MIS are also used in some countries as (a) standards by which to count people experiencing poverty and to relate this to purely

<sup>15</sup> The meaning of governmental minimum income standards is set out in Veit-Wilson 1998, which also discusses these issues of minimum income adequacy and differentiation at greater length.

<sup>16</sup> HCSSC 2001.

<sup>17</sup> NAB 1965; Veit-Wilson 1999.

statistical methods of counting, such as the HBAI system used by European and OECD states which measures income distribution but not income adequacy; and (b) as guidelines for (not determinants of) income maintenance benefits and thresholds.

My empirical research a decade ago on *Setting adequacy standards – how governments define minimum incomes*<sup>18</sup> found that the ten countries in the world with MIS at that time used a variety of methods of setting them, and used them for a variety of purposes. In written and oral evidence to the House of Commons Social Security Committee in 2001, “Triangulation of data from existing sources as a basis for governmental minimum income standards”, I set out what I believe would be a feasible and politically credible method of discovering and setting a MIS for the UK, and I suggest that the DWP now takes account of those proposals and responds to them.<sup>19</sup> The Select Committee recommended that the government do so but it has yet to act on that recommendation.<sup>20</sup> It is surprising that, as noted above, the consultation paper makes no reference to this critical matter.

To give a solid empirical foundation to the expert judgements on where to set the MIS, triangulation makes use of a variety of reputable methods, not just any one of them. The sources include, but are not confined to, general and specific budget standards for particular household types, at specified levels of living. They include budget standards derived from empirical data on actual levels of living drawn from UK official household surveys, as well as the findings of focus group methods of establishing credible budget standards. They also include the findings of deprivation indicator research and other reflections of actual expenditure patterns.<sup>21</sup> But in addition to such conventional sources of evidence about the incomes at which household members do or do not achieve what UK society identifies as minimally decent and dignified living standards, triangulation would take account of the evidence of statistically significant causal correlations of social evils with income levels. This is most notable in the case of a variety of morbidities and premature mortalities, but it is also visible in educational attainment and some aspects of delinquent behaviours.

The collected data to be used for triangulation for a MIS would be examined by an expert committee, independent of those who would use its findings and recommendations for policy purposes. It is important that the MIS itself should be as untainted by political bias or interests as are the national statistics or accounts, or the range of government inspectorates; indeed, it would be highly desirable if the task of coordinating the data and publishing it were given to the ONS. The subsequent examination of all these sources of existing information about the role which poverty plays in causing the social evils with which the government is rightly concerned, and the income levels at which they are diminished or do not occur, would greatly strengthen both the quality of the policy debates and the political judgements over the uses of MIS.

Judgement cannot be excluded from the construction and evaluation of an MIS, but it is a far more reliable and credible judgement about minimum income needs than is at present exercised by those who set minimum wage and benefit levels without consideration of human dignity, decency or social participation. The government uses a very large range of expert advisers on complex technical matters, and minimum income needs are no different from technical, agricultural, medical, educational, legal or other fields in which expert committees are used. The politicians’ dismissal of MIS as being ‘all a matter of judgement’ is thus completely fatuous.

### ***Incentives and the tiers of the income maintenance system.***

It is a common misconception that MIS are used only for setting poverty measures or the lowest tiers of the income maintenance system. In fact, in some countries they were found to be related to the jointly negotiated or formulaic minimum wage rates. This reflects the assumptions behind the concept of the ‘living wage’, itself an aspect of common British values, that if a person exercises his or her social responsibilities to work a full week, then the earnings they receive, net of

<sup>18</sup> Veit-Wilson 1998.

<sup>19</sup> Veit-Wilson 2001 in HC 72 – ii : Integrated Child Credit, Minutes of Evidence, 17 January 2001, pp 109-126 in Second Report. Also on Select Committee web page.

<sup>20</sup> HCSSC 2001, paras 24 and 25, p xiii.

<sup>21</sup> The NAB triangulated not only budget data but data from studies of the levels of living of the population as a whole and of benefit recipients themselves. See NAB 1965 and Veit-Wilson 1999.

additions and deductions, should not be less than what is needed for decency, human dignity and full social participation for themselves, and for their dependents to be equally provided for by these earnings, or by other socially acceptable sources of benefits and allowances. This idea of the responsibility to work is so central to the values the government claims to hold that it is constantly puzzling that it omits the equally reciprocal corollary of the right to an adequate income from work.

It follows that a popularly and politically acceptable MIS for the UK ought to be based not on ideas of a poverty line but on what is needed for a living wage (all household size adjustments being allowed for in the complexities of its setting), and that the other tiers of the income maintenance system should be set to provide for appropriate differentials if they can be socially justified. What this means is that the legal minimum hourly rate of wages must be set at such a level that on a weekly basis after adjustments it offers the minimum adequacy standards intended. It is notable that the UK's minimum wage rates have not so far been set with any consideration for the adequacy of the weekly income they offer.

The **time dimension** is crucial. In Table 2 page 37 of *Setting Adequacy Standards* I illustrated how the income maintenance system could be arranged in tiers according to the assumptions made about the levels of living to be maintained *and the periods of time over which they applied*. If a given level of living needs to be maintained for, in principle, only a short period of time (like JSA), then it need not allow for occasional and other lumpy expenditures which must be allowed for to give the same level of living over a longer period. This then gives a differential between the living wage and the same level of living if income maintenance benefit such as IS/JSA needs to support it for only a presumed short period (and if lumpy purchases are required during that period, they should be offered as grants from a reformed Social Fund).

Two other tiers of the income maintenance system may be found in between these top and lower levels. One is the level of the **tax threshold**. The principle enunciated by Adam Smith was that no one should be taxed on an inadequate income. This principle was repeated by the Royal Commission on the Taxation of Profits and Incomes in 1954 (para 158). The principle remains the same: that people need a certain minimum level of income to achieve specified ends, and nothing can be taken away from it without detriment to the ends for which the income is needed. In the past these ends were expressed in the language of subsistence; today, international conventions as well as social values require them to be based on adequacy for human dignity, decency and social participation.

There are two versions of the tax threshold argument. One, following the Adam Smith principle, maintains that the lowest incomes should be exempt from income tax; in other words, that the tax threshold should be set above the level of the lowest wages. The other argument reflects the view that paying income tax in a progressive tax system is seen as a sign of equal citizenship; it derives from the social democratic Nordic countries. It is every citizen's obligation and reciprocal right to pay income tax, however low their earnings, but no one should be left *after* paying taxes and deductions with less than is needed for income adequacy. If the living/minimum wage is set at adequacy levels, then the tax threshold must be set above it, but if the tax threshold is set below, then after all deductions, and allowing for tax credits, the net income must not be less than at the adequacy level indicated by the MIS.

**Social security benefits for long term recipients** are the other tier of the income maintenance system. Clearly this covers retirement pensions, but there is no reason in principle why it should not equally cover those who retire permanently from the labour market for reasons of ill-health or disability. Many countries treat these two situations as comparable and describe their pension systems accordingly, retirement or premature retirement.

If there is no prospect or intention of an individual returning to the labour market, then the question of incentives does not arise and there is no good reason for paying these benefits at less than adequacy levels. Some countries pay partial premature retirement benefits to those who cannot work a full week for recognised reasons. From the standpoint of individual needs for minimally adequate incomes, there are no principled reasons why small earnings should not be treated the same whether they are gained by pensioners before or after the normal retirement age. But the only issue here is the adequacy of the social security benefits for long term use. If human dignity and social participation are to be ensured, then in principle the government's obligation is to ensure that both the minimum wage system and the pension system (including premature retirement) are paid at adequacy levels.

Differentials here would have to be justified and not result in either of these systems paying at less than adequacy levels.

Beside adequacy, other essential principles of the income maintenance system are consistency and reliability of payment and acceptability of the tone of administration. Respect for human dignity also requires all government benefits to be paid and adjusted according to methods which are acceptable to their users. Recent examples of unacceptable tone of administration are the Child Support Agency and the adjustments of tax credit payments, both of which have been recognised by the government. Policies affecting the human right to an adequate income but which are based on Treasury economy drives and convenience to administrators, are expressly forbidden by the Limburg and Maastricht commentaries on the ICESCR. These principles and the international conventions on human rights therefore have to be mentioned in the context of a discussion of income adequacy and welfare reform.

### **Conclusion.**

No welfare reform can be treated as realistic if it does not ensure income adequacy, and empowering people to work is incomplete if there is no willing employer for them and no adequate wage if they find work. While the DWP paper rightly addresses some continuing problems of UK social policy, its proposals lack consideration of these two essential ingredients of social policy for employment or indeed for all welfare. Promoting labour market demand for the employment of people with temporary or long term disabilities is absolutely indispensable because without such demand, all the good intentions for improving the supply of labour outlined in the DWP paper will be vitiated.

The indispensability for its welfare reform goals of the implementation of the human right to adequate incomes, in and out of work, is the other neglected issue in the consultation paper. The DWP should follow the example of its predecessor in 1965, the National Assistance Board, as well as the recommendation of the Select Committee in 2001, and carry out or sponsor the necessary work to provide the foundations for MIS in the UK. The NAB used a form of triangulation of different sources of information on income adequacy for its review of the adequacy of the benefit rates at that time, so the idea is not untested or unprecedented in government departments, and it produces fruitful and credible results. The Joseph Rowntree Foundation will carry out its own review of MIS, and it would be unthinkable for the DWP not to have undertaken its own work on evidence for a credible MIS before the JRF reports.

In short, the credibility of the government's welfare reforms will depend on its willingness to consider investigation of income adequacy and to act on such findings. If the DWP wants to move on from the intentions outlined in the consultation paper to real policy proposals with prospects of achieving their goals, it will have to address the issues in this response first.

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**APPENDIX: SOME RELEVANT INTERNATIONAL AND EU STATEMENTS  
ON HUMAN SOCIAL RIGHTS TO ADEQUATE INCOMES.**

**United Nations: International Covenant on Economic, Social and Cultural Rights 1966.**

7. ... the **right** of everyone to the enjoyment of just and favourable conditions of work which ensure, in particular: (a) Remuneration which provides all workers, as a minimum, with: (i) Fair wages ... ; (ii) A **decent** living for themselves and their families in accordance with the provisions of the present Covenant; ...

11. (the **right**) to an **adequate** standard of living for himself and his family, including **adequate** food, clothing and housing, ...

**Community Charter of the Fundamental Social Rights of Workers, 1989.**

5. Workers shall be assured of an equitable wage, i.e. a wage **sufficient** to enable them to have a **decent** standard of living.

10. Every worker of the European Community shall have a right to **adequate** social protection and shall, whatever his status and whatever the size of the undertaking in which he is employed, enjoy an **adequate** level of social security benefits.

Persons who have been unable either to enter or re-enter the labour market and have no means of subsistence must be able to receive **sufficient** resources and social assistance in keeping with their particular situation.

25. Any person who has reached retirement age but who is not entitled to a pension or who does not have other means of subsistence must be entitled to **sufficient resources** and to medical and social assistance specifically suited to his needs.

**Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection schemes (also known as the Minimum Income Recommendations); 92/441/EEC.**

(2) Whereas **respect for human dignity is one of the fundamental rights underlying Community law**, as recognised in the Preamble to the Single European Act;

(6) ... whereas the **right** of the least privileged to **sufficient**, stable and reliable resources should therefore be recognised ...;

1. Hereby recommends Member States:

A. to recognise the **basic right** of a person to **sufficient** resources and social assistance to live in a manner compatible with human dignity as part of a comprehensive and consistent drive to combat social exclusion, and to adapt their social protection systems, as necessary, according to the principles and guidelines set out below;

B. to recognise this **right** according to the following general principles: 3. every person who does not have access individually or within the household in which he or she lives to sufficient resources is to have access to such **right** (... subject to conditions);

C. to organise the implementation of this **right** according to the following practical guidelines:

1. (a) fixing the amount of resources considered **sufficient** to cover essential needs with regard to **respect for human dignity**, taking account of living standards and price levels in the Member State concerned, for different types and sizes of households;

2. granting, to people whose resources taken at the level of the individual or the household are lower than the amounts thus fixed, adjusted or supplemented, differential financial aid to **bring them up** to these amounts;

3. taking the necessary measures to ensure that, with regard to the financial support thus granted, the implementation of the regulations in force in the areas of taxation, civil obligations and social security takes account of the desirable level of **sufficient** resources and social assistance to live in a manner **compatible with human dignity**;

D. to **guarantee** these resources and benefits within the framework of social protection arrangements.

***European Commission, Joint Report on Social Inclusion, DG Employment and Social Affairs 2002.***

Page 27 (2) Guaranteeing an **adequate** income and resources to live in human **dignity**. The challenge is to ensure that all men, women and children have a **sufficient** income to lead life with **dignity** and to **participate in society as full members**.

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