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

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**SUBMISSION TO THE HOUSE OF COMMONS WORK AND PENSIONS COMMITTEE
INQUIRY INTO THE FEASIBILITY OF SIMPLIFYING THE UK BENEFIT SYSTEM**

Note: The aim of this submission is to set out and clarify several issues which underlie any discussion of simplifying the benefit system, so that discussion may be better informed about matters which are often neglected but which must be addressed explicitly if effective government policy is to be made and implemented.

The submission is written from the perspective of social policy concerned with making the income maintenance benefit system more effective for those who depend on it. The submission is based upon the government's demand for 'joined-up' and evidence based policy-making, which (as the Prime Minister emphasised) inevitably runs across departmental boundaries.

I have not had time to prepare a longer and more detailed submission and so have omitted the usual academic paraphernalia of supportive footnotes and references, but if there are any queries about the basis of assertions made here, they can be supplied later. I shall also be glad to offer further clarification of any matters which may remain obscure.

SUMMARY.

- This problem is not new. All systems of taxes and benefits which are finely tuned to individual circumstances are inherently complicated because individual circumstances vary, and also because the responsibility for different parts of the income maintenance system is divided between different government departments.
- Simplification cannot be discussed in the abstract but must answer the questions, who and what it is for and whose interests are to be paramount. There are many powerful and conflicting interests in the income maintenance system and the methods of achieving their disparate aims can be examined in terms of their effectiveness, efficiency and economy. Benefit claimants must be listened to and their interests recognised; they should never be among the losers in any simplification

- Although the Committee's inquiry is only into the benefits system for which the DWP is responsible, simplification cannot be discussed meaningfully if it does not take account of the interactions with the tax system [HMRC's responsibility] and the overarching role and interests of HM Treasury.
- The same principles should be applied to all who benefit from the government's income maintenance policies or who contribute to them, when selecting those to benefit, offering incentives to work, or applying marginal tax rates.
- Efficient and effective tested methods of benefit administration are in use by the DWP and other departments. Benefit simplification could be furthered by extending their scope to make existing complex systems of means-testing redundant

OLD PROBLEMS AND OLD SOLUTIONS.

1. The problem of complexity is not new. If you want to tune the structure and levels of income maintenance benefits very finely to the enormous variety of constantly changing individual financial circumstances, you will inevitably have a complicated system. This applies just as much to income tax deductions and tax credits as to cash benefits. It applies to many other means-tested benefits as well.

2. Complexity is also inevitable when the responsibility for different parts of the income maintenance system is divided between different government departments which work according to different rules and principles. If simplification is to be rational and not merely symbolic, it must address all the sources of complex benefits and not just those of one department.

3. Lord Beveridge had reviewed and stressed the inevitability of complexity when he wrote his famous Report on *Social Insurance and Allied Services* in 1942 –

The social security system even when unified and simplified in the way proposed here must still be a machine with many parts and complications to deal with all the complexities of need and variety of persons. Citizens cannot be left to find out all about it by reading official pamphlets, however clearly they may be written. [para 397]

4. He offered two examples of solutions which are as relevant today as then –

- To avoid complexity by using simple, straightforward methods to target the eligible population – Family Allowances, now Child Benefit, paid categorically to each eligible dependent child irrespective of the parental income. They are highly effective in reaching their targets and highly efficient in using very few resources to do so.
- To recommend that the expert help and advice which people need in order to find their way round the complicated system to get the benefits to which they are entitled should be located in every benefit office. The system today is, however, so complicated that even the DWP staff have to refer to the voluntary sector, the Child Poverty Action Group's (CPAG) welfare rights guides, to augment that expertise.

Who pays for advice?

5. In principle there is no difference between the complexity of the income tax system (and, for businesses, the VAT system) which affects people on middle and higher incomes, and that of the benefits and tax credit system which mainly affects people on lower incomes. But people with large and complicated incomes can afford to pay tax accountants, lawyers and other advisers to deal with their affairs, and a considerable body of specialised expertise has been developed.

6. By contrast, people with low incomes by definition do not have the spare cash to afford to pay similar experts. The advice and advocacy they need is at present supplied by Citizens Advice Bureaux (CABx) and welfare rights agencies run by local authorities and NGOs. But the coverage is variable and constantly vulnerable to grant cuts made in the interests of national and local government economy rather than benefit take-up. Legal support for poor claimants in the adjudication of benefit appeals and a variety of welfare rights issues suffers from similar problems.

7. Therefore as long as government wants to vary benefit entitlements and benefit levels in means-tested benefits and other complicated systems for every individual changing situation, the need for the expert advice for low-income people which Beveridge recommended will continue. The government must accept the responsibility for funding sufficient advice and advocacy services for those who, by definition, cannot afford to pay for them privately.

Ignorance, difficulty – and stigma.

8. No discussion of benefit simplification is complete if it does not deal adequately with the problems of ignorance and difficulty which hinder low-income people from claiming their rights, and especially the stigma which deters some from applying for means-tested benefits to which they are entitled, for example the Pension Credit. Government publicity alone will never overcome the deep-seated revulsion which some people still feel towards claiming benefits based on demonstrating their poverty. The more that the government stresses the importance of social inclusion, the less it should use means tests which by their nature are demonstrably tools of social exclusion.

SIMPLIFICATION – FOR WHOSE BENEFIT?

In whose interests?

9. Who is DWP benefit simplification for, and who says so? Whose perspectives and interests are to be treated as paramount? ‘Simplification’ is nothing more than an abstract word. It only gains concrete meaning in specific context. Every abstraction such as human needs, income adequacy or administrative simplification, should be confronted with the four standard questions – for what? for how long? for whom? and who says? – if we are to understand what they mean.

10. There is no single set of answers to the first three questions because they all depend on the values, interests and perspectives of whoever is giving the answers. We must therefore always ask whose interests affect those answers. Several interest groups are involved in ongoing arguments about income maintenance policy. They include (this is not an exhaustive list) –

- Benefit claimants of contributory benefits such as pensions as well as means-tested benefits, across all age groups and conditions.
- Government departments, chiefly the DWP and HMRC and their agencies.
- HM Treasury, whose interests are different from those of service delivery departments.
- Local government.
- Employers.
- Pension funds and other businesses selling insurances.
- NGOs who deal with the consequences of inadequate incomes.

- Spokespeople for taxpayers and other sections of the electorate, usually as if this were an interest group in opposition to the all the others listed rather than composed of members of them.

11. The answers each of them give reflect their views of what is best for them, not for the other interests listed here (or any which may have been omitted). Their interests may and do conflict. Coherent policy can only be made if there is clarity about the ranking of these interests. Failure to differentiate and address these often conflicting aims vitiates most discussions. For example, public rhetoric often implies that government treats claimants' interests as paramount, but evidence suggests that in practice many other interests and considerations may carry greater weight with government. Recent government reviews have emphasised the importance of departmental economy above all else. This may not be in the interests of benefit claimants.

Who speaks for the interests of benefit claimants – and what do they say?

12. All the interests above have representative organisations to put forward their distinct interests to the WPC, apart from the first. The only people qualified to speak for the interests of people with low incomes, whether entitled to benefits or not, are they themselves and those who have listened to what they have to say and who convey it to other audiences without conflicts of interest.

13. The evidence over many years from a great many surveys and consultations, including those made for the DWP, have shown that what people living in the UK on low incomes say they want more than anything else is adequate incomes – wages or benefits at which they and their children and other members of their households can take a full part in society without shame and are treated and given respect as full members, not as 'the poor'. They want to have the freedoms of choice in our marketised and consumer society which everybody else enjoys.

14. If they can earn a decent living in the labour market they want to do so, but that depends not only on whether any businesses will employ them but also the conditions of work and of care for their other responsibilities (such as child care), and the adequacy of their wages and salaries. They do not want tax burdens which higher income people are not expected to bear. If employers do not offer jobs, or if they can't work, or if the wage system doesn't offer enough pay, then they want access to the income maintenance system, whether the DWP's benefits or any other, to be available without the barriers of ignorance, difficulty and stigma which still surround access to many of these benefits.

15. These widespread and repeated popular views are fully consistent with the government's commitments to international and European treaties on human rights to adequate incomes to achieve these standards, and with its commitments to reduce and abolish child poverty and to ensure decent living standards for all families with children.

16. Whatever consideration the WPC gives to the submissions made by other interest groups, whether government departments, business organisations or NGOs, research institutes or private individuals, a strong case can and should be made that in discussing simplification of the income maintenance and benefit systems the interests of people with low incomes and in poverty should always be placed above all others. Benefit claimants must never be the losers in any simplification, or be blamed for their low incomes.

Simplification for whom? The interests of benefit claimants.

17. The reasons why this common objective of adequate and accessible incomes for those who currently lack them should always be paramount in considering how to simplify the benefit system are not only moral. They derive from the international and European conventions, treaties and agreements on human rights which the UK government has signed, as well as its commitment to abolish child poverty which inseparably means the poverty of the adults in the households in which children live.

18. Briefly (it is a large subject), the government has signed a number of international conventions and treaties which require it 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”, that everyone has access to “a wage sufficient to enable them to have a decent standard of living” and also to “adequate social protection”, and to ensure “a decent existence” in which “human dignity must be respected and protected”. These phrases are summed up in the expression ‘adequate incomes’, meaning adequate for these purposes, which can be tested by reliable social science methods.

19. The UK government acknowledges these human rights, even if it has not yet implemented them. Nevertheless, it does recognise and implement the civil and political rights given by these and similar conventions, and therefore must take note of the UN’s explicit guidance that “*states are as responsible for violations of economic, social and cultural rights as they are for violations of civil and political rights*”. The international agreements do not require the government to reduce income inequalities, however desirable that may be on other grounds, but they do insist that the government ensures that everybody has adequate incomes. That is the dynamic for the assertion that WPC should ensure that any recommendations it makes for implementing benefit simplification does not diminish these human rights to adequate and accessible incomes for low income people but enhances them.

20. What the UK government and the major political parties have committed themselves to is the abolition of child poverty. It defines this as children living in households whose income is less than 60 per cent of median household incomes (the HBAI measure). This is not a measure of income adequacy to meet the international standards, but of income inequality, which is why the government correctly describes it as low income. By contrast, poverty is generally taken to mean lacking the resources to live according to the international standards suggested above. Money incomes are the most important resources for this purpose in marketised consumer societies such as ours.

21. The UK government has recently and publicly re-affirmed its aim to build “a country where no child has his or her opportunities denied because their family is too poor to afford basic essential items” and where “every mother or father out of work has access to financial support for their children”. It talks about lifting families out of poverty, and about not denying children opportunities because of a disabled parent. All of these aims necessitate clarity about what household income levels are adequate to achieve those stated objectives, whatever other benefits and services people may also need. These are both/and questions, not either/or.

22. However, the government does not know how much income is adequate because it rejects research to establish adequacy, such as that which the National Assistance Board carried out as long ago as 1965. In this situation of ignorance, the House of Commons Social Security Committee’s review of *Integrated Child Credit* recommended in 2001 that the government should sponsor research to provide a foundation for minimum income standards of adequacy (MIS). Independent social research suggests that the HBAI measures of incomes are not enough for adequacy, and the Joseph Rowntree Foundation is currently sponsoring a major research programme to provide a solid basis for MIS for the UK.

23. These government commitments to the interests of benefit claimants mean that there should be no discussion of simplification which leads to any reduction in benefits for people with low incomes.

Who pays and who benefits? ‘Winners and losers.’

24. Because of government accounting conventions, costs which can be displaced from public to private expenditure help the appearance of government efficiency and economy. Such displacement may not only be by outsourcing administration, but also on a very much larger scale by shifting the costs and burdens of social expenditure (such as home care,

health, education, the consequences of crime, and many other examples) from taxpayers in general directly onto those who have the needs or suffer the disadvantages.

25. The poverty of some people in all its various structural and individual manifestations is generally recognised to impose costs on the whole of society. Similar findings have been shown for income inequalities, in the UK and many other countries, in terms of excess morbidity, premature mortality and a range of asocial behaviours.

26. Balancing the costs of dealing with these social ills and evils between taxpayers in general and those sections of the population which bear the consequent burdens is a matter for ideological argument and party politics, not for this submission. However, there is a categorical imperative that whoever else bears the costs, they should not fall on those who cannot afford to pay them – that is, those on the lowest incomes. It follows that whoever are to be the winners and losers in any rebalancing of complexity or simplification of the DWP's benefit system, benefit claimants must not be among the losers. Given their low incomes, they must be among the winners.

SIMPLIFICATION – SOME ADMINISTRATIVE (AND POLITICAL) ISSUES.

Simplification for what – effectiveness, efficiency or economy?

27. **Effectiveness** is a measure of goal achievement. Each of the interest groups has its own aims and objectives, the goals it wants to achieve. The public debate, especially in the mass media, is coloured by the power which groups have to articulate their interests and have them heard and acknowledged. Benefit simplification may be in the interests of some groups to achieve their goals, but not others.

28. **Efficiency** is a measure of resource usage, inputs against outputs. Benefit simplification could lead to the DWP becoming more efficient but less effective in reaching its target beneficiaries.

29. **Economy** is a measure of resource usage alone. The most economical department is one which spends no money. It is often confused with efficiency. The most efficient department is one which spends least for a given output. But the most effective department is one which maximises its service delivery, even if that is neither efficient nor economical. Government departments may be required to set economy as a primary goal before objectives such as service effectiveness. Recent government reviews reinforce this impression.

30. As a simple but rough generalisation, service users expect *effective* benefits, departments try to be *efficient*, and the Treasury demands *economy*. The conflict of interests is natural, and therefore it is important for any debate to express such conflicts openly so that decisions of whose measures of effectiveness are to be treated as paramount are transparent.

Simplification – by whom? The Treasury interest.

31. The incomes of people on low incomes do not only come from DWP benefits. They may also come from earnings (irregular, part time or full time low paid), from tax allowances or credits, from maintenance payments or from local authority benefits such as housing benefit or council tax benefit. In real terms, they also come from costs remitted, such as free school meals. There are many other possible sources of income or of tax or costs remitted, by no means all of them administered by the DWP. Many of these sources of income vary and fluctuate, sometimes considerably. If the objective of simplification is the benefit of claimants, then it makes no sense to omit consideration of the interaction of DWP benefits with all these other sources of their income.

32. This reflects an important and much wider principle of government. The Treasury has always emphasised that taxation is not hypothecated – what is collected in general direct and indirect taxation is not earmarked for particular uses, but goes into a general pot for all

kinds of public expenditure. Thus if money can be saved or raised in one part of the fiscal system, it can be spent wherever else the government decides. That is, after all, the meat of the national politics of annual budgets.

33. If, therefore, simplification of benefits requires greater public expenditure by the DWP, on cash benefits and on administration, it is perfectly legitimate to point to other areas of government expenditure where savings could be made, even if these do not fall under the responsibilities of the DWP. It also follows that the calculation of the balance need not be carried out within the DWP's budget allocation alone, but may carry over into other departmental budgets whose beneficiaries are better resourced to carry the costs of the simplification of DWP benefits.

34. The Treasury gives departments their budgets in order to ensure overall financial control. The balance between departments cannot reflect immutable policy decisions. It must be clearly understood that Treasury or political objections to spending more on benefit simplification do not reflect the impossibility of carrying out such proposals, but merely their unacceptability to a different set of interests in conflict with those of benefit claimants.

Simplification – common principles for all.

35. The agreed principles of justice require everyone to be treated as equal before the law. The same principles should be applied by the government's administration of the benefits and tax systems. For this to be seen, it is important that the same principles of behaviour are applied to and expected of all citizens irrespective of their income levels. The government must show in all its activities that it does not treat benefit claimants any less fairly or equitably than it treats other recipients of public expenditure, such as those who claim tax credits or allowances.

36. Examples of the problems which the government currently has in acting fairly and consistently in the application of basic principles can be seen in the discussion of selectivity, of incentives, and of marginal tax rates, which follow. These problems should be noted and avoided in any proposals for the simplification of benefits.

Selectivity – 'concentrating help on the most needy'.

37. Among the commonly agreed principles is the importance of, as the old phrase has it, 'concentrating [government] help on the most needy'. Through direct and indirect taxes such as income tax and national insurance contributions, and VAT and excise payments, taxpayers provide government with the resources which are used to pay for recognised income maintenance needs.

38. To take pensions as one example among many, taxpayers pay directly and indirectly for NI pensions and for means-tested pension credits. In addition to this, through their taxes they collectively make up for the income tax which the Treasury does not collect from some taxpayers who claim tax allowances on contributions to occupational and private pensions. Whatever the justifications for tax allowances, they represent a 'tax expenditure' by government which has to be paid for by other taxpayers. For any given level of public expenditure, the more that the Treasury gives away in tax allowances to some taxpayers, the more it has to collect from other taxpayers.

39. Tax allowances are what is known as 'fiscal welfare' benefits; they are like other benefits in that they are worth cash to their claimants. However, tax allowances are regressive; that is, their value to taxpayers rises according to the marginal tax rate the taxpayer is liable to pay. Higher rate taxpayers save more money in tax they do not pay than do standard rate taxpayers, while those whose incomes are so low that they fall below the tax threshold gain no benefit at all from tax allowances. This is totally contrary to the general principle of selectivity. An example of how public ignorance is maintained about the ways in which tax allowances are financed is the common expression by financial services businesses that 'tax advantages' are paid for by 'the taxman'. In reality, they are paid for by other taxpayers.

40. One simplification of the tax system to release very considerable funds for poverty reduction through simpler benefits, consistent with the principle of selectivity, would be to abolish tax relief (allowances) on anything higher than the standard rate. But this would still not be enough to implement the selectivity principle, because the overall burden of taxation in the UK is not progressive; it is very roughly proportionate. In fact, as a proportion of their incomes people in the richest 20 per cent of incomes on average pay slightly less in total direct and indirect taxes than do the people in the lowest quintile, who pay a larger proportion of their incomes in taxes than the average income recipient does.

41. Proportionate taxation is unfair because higher income people can bear higher rates of taxation with less suffering than lower income people bear lower rates. Noting this more than two centuries ago, Adam Smith justified progressive taxation as fairer than mere proportionate taxes. He referred to what economists now call the 'marginal utility' of income; that is, each extra pound is far more useful to a poor person than to a rich person.

42. The aggregate effect of the regressive nature of tax burdens and allowances means that in the UK people with lower incomes are paying more taxes so that people with higher incomes can pay less. For example, taxpayers in general already pay every year some £10 billion (and rising) to enable *higher rate* taxpayers to build up their occupational pension pots through tax allowances on pension contributions. By contrast, it would only cost about £4 billion, the Institute of Fiscal Studies (IFS) has calculated, to allow the government to achieve its target of reducing child poverty by half by 2010. If taxpayers' help is to be concentrated on the most needy, it would seem logical to spend the £4 billion on children in poverty and take it from the £10 billion given to richer taxpayers.

43. Simplification is badly needed so that everyone can see who is paying and who is benefiting from all the complicated and opaque income transfers for which government departments are responsible. DWP benefits are only part of a much larger picture.

Incentives to work.

44. "The only proper test of a man's willingness to work is the offer of a decent job", as someone put it in the 1930s, a time of high unemployment. When labour market demand does not match the skills unemployed people can offer, or employers do not want to employ them, it is hard to see how reducing their benefits can increase unemployed people's motivation. Withdrawing benefit from those who fail to find work will only exacerbate their poverty and penalises their children and other dependents. Benefit simplification which approaches the problem from this direction will not be in the interests of those with the lowest incomes, whoever proposes it.

45. There is a large literature on incentives to work and for these purposes it can be crudely divided into two kinds, (a) that which reports social science research on how real people make what seem to them to be rational decisions in the real worlds in which they live; and (b) that which puts forward formal theories about 'rational choices' derived from econometric theorising and model-making.

46. Rational choice theorising has greatly influenced politicians because it provides them with an easy rationalisation for reducing benefits below the level of the lowest wages. In this respect it resembles the nineteenth century Poor Law idea of 'less-eligibility', which meant that claiming benefits should be made less attractive than any kind of unskilled labour. Until the 1960s the UK's social assistance system still operated the 'wage stop' by which benefits, chiefly for large families, were kept below the wages it was assumed the chief earner would be paid. The wage stop was applied not only to unemployed but even to sick and disabled earners with dependent children. It was abolished because it was cruel to children and expensive to administer.

47. In the real world there are at least two fallacies in these (often highly sophisticated) rational choice theorisings –

- No real human being takes decisions in such simple ways. The evidence consistently shows that the influences on the decisions which we all take about the work we do, whatever our income levels, in the light of the contexts in which we live and the constraints on our actions, are far more complex, socially and psychologically, than any formal economic theory even recognises, let alone allows for or can quantify or calculate.
- The theory depends on the assumption that the lowest level of wages on offer is a fair guide to the minimum income levels at which people can avoid poverty, can take an inclusive part in the societies in which they live and not suffer shame or exclusion. The minimum wage is not sufficient to do that. How, then, can it be rational to expect people to accept inadequate wages, especially when it is not merely adults but children who have to suffer the consequences?

48. Not only international treaties but even political theories which restrict the role of the state recognise that there are obligations on all civilised and democratic governments, whatever their political persuasion, to protect citizens against poverty. It is a defining characteristic of what welfare states are meant to do. Benefit simplification must never be allowed to mean forcing people to take work which keeps them and their children in poverty by the threat of even greater poverty if they remain on benefits.

Marginal tax rates.

49. It is often assumed by people unfamiliar with the subject that it is the level of wages alone which affects people's willingness to work. This is a fallacy, not only for the reasons given above but simply because the effective tax rates levied on the earnings complicate the issue very greatly. The complications of the interactions of benefits and taxes, of additions and deductions, are indeed so great that it is often hard to calculate very precisely whether low earners will be better off in or out of work. The IFS has shown that even the methods used by the DWP to calculate whether claimants will be 'better off' in work or on benefit, aimed towards 'making work pay', are inconsistent with the government's inequality measures of poverty which it believes will be overcome through work.

50. As people's income rises, they are liable not only to increasing rates of income tax and national insurance contributions, but also (if low income and eligible) to the loss or partial withdrawal of their entitlements to a wide range of means-tested benefits. These include tax credits, housing benefit and council tax benefit, as well as eligibility for remission of costs for such necessities as school meals, and there may be other similar complications for some households. The IFS has calculated that the aggregate effect of the increasing deductions and losses of benefits leads to some low earners suffering potential or actual marginal tax rates of 70 to 96 per cent on each additional pound that they earn.

51. These very high marginal tax rates on low incomes conflict with the principle that taxation should be fair and equitable as between different earners, and that it should be transparent and calculable.

52. What is most unacceptable about this situation is its inconsistency with the very widely asserted claim that income tax rates above the current 40 per cent are incompatible with enterprise. If this is the highest tax rate that it is right to expect a high income earner to pay, how much worse it is that the government effectively charges low income earners more than twice that rate. Political statements about hypothetical 'confiscatory' tax rates of 50 per cent on higher earnings should be set beside the much higher rates that are in reality charged on low earnings. This fact should always be kept in mind by those who still believe that it is marginal income gains which determine low paid people's rational choices to work, and ask themselves if they would seek work at those tax rates.

53. It is therefore essential that any simplification of the benefit system should reduce and not exacerbate the problem of the intolerably high effective marginal tax rates suffered by low earners.

54. Paying one's taxes is part of exercising one's responsibilities towards the community. Given the regressive burden of taxation, everybody, even on the lowest incomes, should be visible as the fully responsible tax contributors that they are, and not be implicitly treated as tax beneficiaries. They are not 'other' people but could be any of us – dynamic research has shown that about half the population has at some time experienced low incomes. If benefit simplification is to be inclusive, as all government policies are meant to be, then it is important to note the OECD study which reported that social democratic countries interpreted this as meaning that all citizens should have an adequate income sufficient to pay all their liable taxes and charges, instead of (as in the UK) being divided into those who can pay income taxes and charges without help and those who can't.

CONCLUSION.

Simpler methods of benefit administration.

55. Three models of simple and tested income maintenance administration are already used by the government and should be extended to simplify the current complex of benefits targeting working poverty, family poverty and pensioner poverty –

- For employees, the minimum wage should be raised to levels where a full week's work will pay a 'living wage' (an expression for household budgets calculated to meet adequacy standards in various employment contexts). This will make some complicated means-tested benefits redundant.
- For families, the most effective and efficient method of targeting family benefits is the existing Child Benefit (CHB). It avoids all the complexities and interactive problems which bedevil the large number of means tested benefits. Until the government's target of abolishing child poverty is met, by far the best and simplest single method to achieve it is to increase CHB. As it is increased to raise family incomes to adequacy levels, some means-tested benefits (such as free school meals) will no longer be needed, and benefit simplification will follow.
- For pensioners, the existing system of higher tax-free personal allowances (higher than those for people of working age) which are tapered down for much higher incomes, should be extended. All pensioners should be paid a NI pension at adequacy levels, but if their other sources of income were higher than this, then the NI pension should be tapered down to their current level of contributory entitlements. This would make the Pension Credit redundant and would ensure that every pensioner gets an adequate pension without the need for a resented and complicated means test.

Paying for simplification.

56. The distribution of the costs of simplification between the various taxpayers who can afford to bear them (in other words, not benefit claimants) is a matter for political debate. Some issues to be considered have been raised above, in particular the currently regressive fiscal welfare benefits (tax allowances), the unequal burden of taxes and the illogicality of the selectivity system. Similarly, political attention must be focused on the current situation in which taxpayers (disproportionately those with lower incomes) pay to subsidise the inadequate minimum wage and other low pay with complicated tax credits.

57. Simplification of the benefit system is technically feasible and is highly desirable if it is done in the interests of those who live on low incomes and need benefits to raise them towards adequacy levels. Provided that any review of simplification does not remain narrowly within the ambit and budget of the DWP but looks across the whole governmental system of income maintenance more logically and consistently, resources can be identified which meet the government's stated objectives according to its stated values. But it is not my aim in this submission to examine those options in further detail.

John Veit-Wilson.
