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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. If you want to quote the page numbers on which passages appeared in print, you will have to find the book or journal in which it was published. John Veit-Wilson asserts his moral right to be identified as the author of this work.**

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## WHAT DO WE MEAN BY 'ADEQUATE' BENEFITS?

“When poor people in my constituency in Croydon come to see me about these issues, they are not saying ‘Mr Wicks, Minister, Malcolm, our main demand is we set a scientific measure’. Funnily enough they want jobs, they want decent schools for their children, they want to get on in life. *They're not worried about academic measures, they're worried about poverty and how to get out of it.*” (Malcolm Wicks MP, then Parliamentary Secretary to the Department for Work and Pensions, interview on BBC Radio 4 *Inside Money* broadcast 3 August 2002; emphasis added.)

What do we mean by adequate benefits? Like Mr Wicks's constituents, most people do not usually think first about measures but about what it takes to get out of poverty. Adequate benefits should do that, and this chapter is about what adequacy means.

The word ‘adequate’ means sufficient for purpose, just enough but not necessarily more than enough. No one boasts of having an adequate holiday: it does not mean luxury.<sup>1</sup> But what is the purpose for which it is adequate? ‘Benefits’ is a general label for a variety of forms of income maintenance which people need temporarily or permanently not only for interruptions of earnings because of retirement, sickness, invalidity or unemployment, but also when there are certain recognised expenses which reduce already low incomes unacceptably, such as housing costs or council tax. Child benefit and tax credits play a similar role, as do the variety of tax allowances that are also known as fiscal welfare benefits. What we call benefits are all those forms of support paid for out of our individual contributions or general taxes which help to support us and others when we have low incomes. Whether that support is adequate cannot be answered in the abstract, nor can it be decided by government decree. Since the support given may vary for each of the benefits mentioned, their adequacy can be understood only in its concrete forms by considering four questions: adequate for what; adequate for whom; adequate for how long; and who says what is adequate?<sup>2</sup>

### Adequate for what?

If the objective is to overcome poverty, then we have to know what poverty means. There are many definitions, but most of them agree that people are in poverty when they live below a standard which their society recognises as a reasonable minimum, and when they lack the resources to achieve that standard of living and take full part in their societies, to be socially

included, recognised and respected as full members.<sup>3</sup> Those resources may also be various, and both tangible and intangible, but in the commercialised, marketised and consumerised society in which we all live, enough money is indisputably the most important single material resource. The centrality of money income is shown by the responses across the EU to the survey question of what people need for the good life. “Europeans answer this question unanimously: sufficient income, family support and health.”<sup>4</sup> Of course many other factors matter as well as adequate incomes, but adequate incomes matter *first*.

According to many international and European conventions, declarations and treaties which the UK has signed and is bound by, human beings have economic and social rights to an adequate income and to social security benefits to guarantee it (even if those rights are still not treated in the same way by statute law and the courts as the human civil and political rights are).<sup>5</sup> These documents assert the right to live decently, to have one’s human dignity respected, to take part in society without shame. These are the fundamental aspects of what a minimally adequate level of living must allow, and the evidence is incontrovertible that having enough money plays a central role. This is not an argument about what causes poverty; it is a statement about what is essential to overcome it. As W C Fields put it, “a rich man is nothing more than a poor man with money” – we find the same demographic characteristics, personality faults, behaviours and relationships right across society, but having an adequate income negates everything that identifies what we call poverty.

### **Adequate for whom and for how long?**

Benefits must be good enough for everybody who may have to depend on them. People’s incomes fluctuate, and dynamic research has shown that nearly half of the population has lived in low-income households for a year or more during the previous ten years.<sup>6</sup> The risks to people’s employment caused by changes in the economy, and to retirement by the shortcomings of some occupational pension schemes, mean that many other people may also experience low incomes in the future. In view of this widespread experience, it is the general public’s views of what is adequate for each one of them when those risks occur to them which must be decisive. That means adequacy for people in work just as much as for those whose main source of income is benefits. Our European culture is based on the assumption that the normal source of income for those of working age and their dependants should be paid employment, and on beliefs in social and economic incentives to work which require benefit levels to be appreciably lower than earnings. In other words, if we want to know about benefit adequacy, we have first to consider the adequacy of incomes for people in work. If no one, even on the lowest benefits, is to have an income insufficient for social inclusion (which is what the EU recommends<sup>7</sup>), then in order to maintain the differentials the higher levels such as minimum wages (combined with other appropriate family and household benefits) must be more than adequate in terms of the same standards.

But while the standards of adequacy for social inclusion should not differentiate between people in or out of employment, the periods of time over which they are dependent on earnings or on benefits may be different. That could allow governments to use income adequacy standards to set various tiers for the income maintenance system, based on the duration of dependence. In some countries it has been argued that long-term minimum wage rates as well as benefits for those who are not in the labour market (disabled or retired people), should be set higher than short-term benefits (such as for unemployment or sickness), on the grounds that adequate benefits for short periods can omit allowances for the repair or replacement of household goods or for occasional expenditures such as holidays which must be included in the normal adequacy standard.<sup>8</sup> Thus benefit adequacy can be

judged by how long people have to live on it, not by who it is for or the contributions they have paid for it.

### **Adequacy – who says?**

A benefit is not adequate just because the government says it is, but only if it reflects the whole population's views of adequacy. Critics of public opinion approaches often dismiss them as subjective, perhaps forgetting that the whole of democratic politics is based on nothing more than the aggregation of many individual subjective views into objective social facts.

Public views of adequate incomes can be surveyed objectively in several ways. One is to ask the public directly about the household income levels at which they can just get by or make ends meet.<sup>9</sup> Another, indirect, method is to survey what the population thinks are the goods, services and experiences that nobody should be without, and then discover statistically the income levels at which on average people do not suffer an enforced lack of, say, three or more of the socially defined necessities.<sup>10</sup> Such statistical methods can also be used to analyse the average levels of household income at which the population as a whole actually achieves national standards, for example of consumption of recommended nutrients,<sup>11</sup> or of health or education. Shopping basket costs (budget) methods are traditional among some researchers,<sup>12</sup> but if the contents of the adequate basket are to reflect the views of the public and not just of experts dictating the budget, then they must be based on intensive small-scale discussion groups (sometimes known as focus groups) validly representing all sectors of the whole population and working with the experts in such matters as nutrition and health, until agreement is reached on what is just adequate for households of varying size and composition, before it is costed.<sup>13</sup>

These social science methods give reliable figures for what households of varying sizes and compositions need for adequate levels of living under normal long-term conditions, whatever the sources of their incomes. But these findings are not necessarily helpful for the entirely distinct political task of setting the minimum wage rates and benefit levels. At present, governments do this on the basis of their judgements about trends in earnings and prices and what they think business and the Treasury can afford. If they want to take account of adequacy, they must find and set governmental minimum income standards<sup>14</sup> that reflect politically credible evidence of the incomes needed for each of the tiers of the income maintenance system to achieve a minimally adequate level of living. But which survey evidence should they include? A parliamentary committee recommended in 2001 that the government establish a commission to review all the different kinds of evidence and 'triangulate' it to arrive at recommendations for use in setting adequate benefit levels.<sup>15</sup>

### **The tone of benefit administration**

Adequacy for purpose is a matter not only of the cash levels of benefits, but also of the 'tone' of their administration. Are they administered and made accessible in ways which respect claimants' human dignity and treat them as 'included' members of society? Volumes of evidence over decades, even centuries, show that this has never been the case for people in poverty in the UK. Welfare rights services, which were developed in the 1960s to improve the tone of administration, continue to be essential because of the shortcomings of the benefit system.

'Adequate tone' requires that no one would remain in ignorance of their rights to benefits, it would be easy to apply for them, and receiving them would not be stigmatising. This is what

people expect from all other financial services and there is no excuse for government benefits being administered in ways that leave people unaware of their rights, make it difficult for them to claim benefits, where administrative errors are hard to correct, and where many people feel the means-tests imply that claimants are financially incompetent or worse. Government attempts to improve this image are not helped by negative images of benefit recipients in the mass media, or by cuts in Department for Work and Pensions and HM Revenue and Customs administrative staffing and in funding for local authority, Citizens Advice Bureau and other organisations' welfare rights services, and legal aid.

### **Are adequate benefits feasible?**

All political parties have committed themselves to the abolition of child poverty and, whatever else they do, this necessitates increasing the incomes of households containing children by raising minimum wages, child benefits, tax credits and the other parts of the benefit system to adequacy levels. But because the government has made a commitment to implementing human rights, it must ensure adequate incomes for everybody in the UK. Whether the costs are feasible and taxpayers can afford them is a matter of political priorities.

The Treasury collects taxes to cover the costs not only of welfare benefits but also the loss in national income caused by those tax-deductible allowances which are known as fiscal welfare benefits. For any given level of government expenditure, every pound of tax allowance that one income recipient can deduct means that other taxpayers must pay a pound to make up for it. The amounts taxpayers currently spend on these fiscal welfare benefits for high-income recipients would more than cover a significant part of the costs of raising the lowest incomes to adequacy levels. For example, the cost of tax allowances on occupational pension contributions for *higher rate* taxpayers was about £10 billion in 2004/05: this better-off section of the population took 60% of all this tax benefit even though they were only one in eight of all taxpayers receiving it. Adrian Sinfield has calculated that in 2006/07, out of £25 billion in fiscal welfare, some £15 billion went to the better-off higher rate taxpayers.<sup>16</sup> At the same time, the costs of achieving the government's target of halving child poverty by 2010 were calculated at around £4 billion in 2006.<sup>17</sup> This suggests that the problems are not economic (the taxpayers' money is clearly there for benefit expenditures as a whole) but electoral.

Discussion of the affordability of adequate benefits often reveals that people implicitly focus on *who* these benefits are for, rather than *what* they are for. If we want to focus on overcoming poverty, then we have to clear up the confusion between the adequacy of benefits to meet that objective and their adequacy to meet other valid aims, such as fair returns on contributions or equity between fiscal contributors and beneficiaries, some of which are not necessarily incompatible. Affordability for different purposes and sections of the population needs to be clarified and discussed openly in the light of ensuring everyone's rights to an income adequate for social inclusion.

Adequate benefits require government commitment, a body of robust and credible evidence, and an administrative system that treats them as important and their recipients with respect. All of these essentials are both feasible and affordable; the challenge is to achieve them.

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<sup>1</sup> Adrian Sinfield, personal communication.

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<sup>2</sup> S Dubnoff, 'How much income is enough? Measuring public judgements', *Public Opinion Quarterly*, 49:3 (1984), pp. 285–99, augmented by J Veit-Wilson, *Setting Adequacy Standards: how governments define minimum incomes*, Policy Press, Bristol, 1998, p 21. The same questions can be asked about all abstract concepts such as need, sufficient or enough, and adapted for concepts such as tolerable or bearable – or even affordable.

<sup>3</sup> For a recent compendium of approaches, see the entries for 'Poverty' in the *Routledge International Encyclopaedia of Social Policy* (2006) or the *Routledge Encyclopaedia of Social Theory* (2005).

<sup>4</sup> Wissenschaftszentrum Berlin für Sozialforschung (Berlin Centre for Social Science Research), press release summarising the findings of a cross-national study of living conditions in 28 old and new EU countries, 17 June 2004.

<sup>5</sup> See for instance J Veit-Wilson, 'Some social policy implications of a right to social security', in J Van Langendonck (ed) *The Right to Social Security*, Intersentia, Antwerp, 2007, pp. 57–83; A P van der Mei, 'The justiciability of social rights in the European Union', in F Coomans (ed), *Justiciability of Economic and Social Rights*, Intersentia, Antwerp, 2006.

<sup>6</sup> Several sources quoted in J Flaherty, J Veit-Wilson and P Dornan, *Poverty: The Facts. 5th Edition*, Child Poverty Action Group, London, 2004, p. 47; see also L Leisering and S Leibfried, *Time and Poverty in Western Welfare States: United Germany in Perspective*, Cambridge University Press, Cambridge, 1999.

<sup>7</sup> European Commission, *Joint Report on Social Inclusion*, European Commission, Luxembourg, 2002, p. 27.

<sup>8</sup> For a discussion of tiers, see J Veit-Wilson, *Setting Adequacy Standards: how governments define minimum incomes*, Policy Press, Bristol, 1998, pp. 34–38.

<sup>9</sup> K Van den Bosch, *Identifying the Poor: Using subjective and consensual measures*, Ashgate, Aldershot, 2001.

<sup>10</sup> J Mack and S Lansley chose three because they found that some people right across the income distribution said they lacked one or two socially defined necessities, but three or more deprivation indicators correlated highly with lower incomes: *Poor Britain*, Allen and Unwin, London, 1985, pp. 175–76.

<sup>11</sup> P Townsend, 'Measuring poverty', *British Journal of Sociology*, 5:2 (1954), pp. 130–37.

<sup>12</sup> Starting with B S Rowntree, *Poverty: A Study of Town Life*, Macmillan, London, 1901.

<sup>13</sup> S Middleton, 'Agreeing poverty lines: the development of consensual budget standards methodology', in J Bradshaw and R Sainsbury (eds) *Researching Poverty*, Ashgate, Aldershot, 2000; see also <http://www.minimumincomestandard.org/>

<sup>14</sup> J Veit-Wilson, *Setting Adequacy Standards: how governments define minimum incomes*, Policy Press, Bristol, 1998; see also entry on 'Minimum Income Standards' in *Routledge International Encyclopaedia of Social Policy*, 2006.

<sup>15</sup> House of Commons Social Security Committee (eds) *Integrated Child Credit*, HC 72, The Stationery Office, London, 2001, paragraphs 24–25, pp. xii–xiii.

<sup>16</sup> These figures are quoted from A Sinfield, *Memorandum submitted to the House of Commons Work and Pensions Committee inquiry: 'The best start in life? Alleviating deprivation, improving social mobility and eradicating child poverty'*, September 2007. They are derived from HMRC (*Revenue and Customs Statistics 2007*, table 1.5 after tax deducted from pensions paid), and *Hansard* (written answer to PQ by Chris Huhne MP, 24 October 2005, col 52W).

<sup>17</sup> M Brewer, J Browne, H Sutherland, *Micro-simulating Child Poverty in 2010 and 2020*, Joseph Rowntree Foundation, York, 2006; however, in 2007 M Brewer and J Browne suggested a slightly lower figure: *Estimates of the costs of meeting the Government's child poverty target in 2010/11: Update after the Budget 2007*, Evidence to the Treasury Select Committee, April 2007 (on Institute for Fiscal Studies website: [http://www.ifs.org.uk/docs/tsc\\_note.pdf](http://www.ifs.org.uk/docs/tsc_note.pdf)).