

What should be done next?

Child poverty is not a discrete social problem that can be eradicated without tackling wider inequalities of income and wealth. As the recent National Equality Panel report demonstrates, earnings, income and wealth are all distributed highly unequally, thereby undermining the goal of 'equality of opportunity' for children espoused by the main political parties.¹ Social class interacts with other social divisions such as gender, ethnicity and disability to shape the contours of poverty and inequality. Ruth Lister argues that a multi-pronged (gendered) strategy is required, which explicitly aims to create a more equal society within which all children can flourish.



All the main political parties now acknowledge the reality of poverty and inequality and their damaging effects on society, and are united in accepting the need for action, particularly to eradicate child poverty. A key issue, which divides them, is the role of the state. The Conservative Party looks to the 'Big Society' rather than the state to spearhead the fight against poverty. One of its arguments in support of this position is that the stalling in the reduction of the numbers of children in poverty and the further widening of the gap between richest and poorest show that top-down redistributive policies have run their course. This,

however, misreads what has happened. The reason why the returns from state intervention appear to have diminished during the second half of Labour's period in office is that the policy momentum was lost after 2004/05.² As the National Equality Panel (NEP) report emphasises, redistributive policies do make a difference.

While the community and voluntary sector have an important contribution to make to any anti-poverty strategy, effective action to tackle poverty and inequality requires more, not less, state intervention in the distribution of income and wealth, and more, not less, state investment in public services. The state needs to play a more interventionist role in regulating the distribution of labour market incomes (though not in regulating individuals' behaviour to force them into the labour market through more aggressive conditionality) and a more radical role in redistributing resources through taxation, benefits and services.

Taxation

Instead of describing taxation as a 'burden', politicians, the media and others should remind people that taxation represents a responsibility of citizenship and that, without adequate taxation, it is not possible to maintain the social infrastructure that is essential to a civilised and fair society. Taxation performs two important functions. One is to raise revenue to fund public services and, once recovery is under way and it is safe to reduce the fiscal deficit, taxation reform and an increase in the basic rate of tax, rather than spending cuts, represent the fairest mechanism.

Taxation's other function is to redistribute income. However, as Paul Johnson notes, under New Labour 'whilst the benefit system has been used as a major tool of redistributive and social policy, the tax system quite clearly has not'.³ Since Johnson wrote, there have been some more redistributive tax measures – notably the 50 per cent income tax rate and tapering down of the value of pension tax relief for those earning over £150,000 and the withdrawal of personal tax allowances from those earning over £100,000. However, further steps are needed if the tax system is to operate as 'a major tool of redistributive and social policy'. A number of options have been put forward in a Compass report, including: extending the 50 per cent tax rate to those earning over £100,000, abolishing the ceiling on national insurance contributions, together with making investment income liable to contributions, and treating all capital gains above a certain mini-

mum as income for tax purposes.⁴ Other options might include more radical reform of tax allowances and reliefs so that they are worth only the basic tax rate for all higher rate taxpayers. Inheritance tax should be strengthened and reformed.⁵ And the new government should respond to the growing support for some kind of financial transactions tax (a 'Robin Hood tax'). Finally, tax avoidance loopholes must be closed and more effective action taken against tax evasion.⁶

Benefits

The recent debate on social security reform has been dominated by the 'welfare-to-work' agenda and concerns about supposed 'welfare dependency'. Questions about adequacy and about how social security's 'multiple functions'⁷ and status as a social citizenship right can best be achieved have been overlooked.

In the wake of the steady extension of means-testing in recent years, a recent Fabian Society report reasserts the case for universalism as a vital expression of citizenship through its strengthening of the common bonds of membership of a society. The authors point out that 'policies with universal coverage, by integrating everyone into the same system, automatically define recipients of welfare as part of the same group as everyone else, thereby reducing social distance, and potentially enhancing willingness to redistribute. No one suffers stigma.'⁸ Thus, increased selectivity in the allocation of social citizenship rights is likely to diminish and undermine the principle of common citizenship and to weaken the 'security' that social security is designed to provide. It also erodes the social citizenship rights of women in couples who are less likely to be able to claim independent social rights in means-tested schemes.

While benefits are not just about poverty relief, it is telling that cross-national analysis indicates that 'a particularly effective anti-poverty instrument is child and family allowances, as opposed to means-tested benefits in general'. The study concludes that 'if governments want to attack poverty directly, they must invest in these more effective programs'.⁹ This points to further investment in child benefit over tax credits and, in particular, an increase in the benefit paid to second and subsequent children. The arguments for a universalist approach, together with educational and health considerations, also support the case for free school meals for all children.¹⁰

Moreover, if social security is to provide genuine security for people who are unable, for whatever

reason, to support themselves through paid work, the contributory and non-contributory non-means-tested elements of the system (including carer's allowance) need to be strengthened and overhauled. New Labour ignored the Commission on Social Justice's proposals for revitalising and modernising the national insurance system so that it better fits today's labour market and, in particular, women's position within it.¹¹ The Commission also supported the idea of a non-means-tested participation income, which would widen conditionality beyond paid work obligations to include a broader principle of 'active citizenship', also covering caring and possibly volunteering. Lisa Harker has developed the case further. Although she concludes that 'we have yet to reach the point when the introduction of a participation income appears feasible... in the short term there is much that could be done to move further towards a participation-based welfare system. Central to this might be a revitalised social insurance system built around the principle of participation.'¹²

The second key question concerns the adequacy of out-of-work benefits. There have been real improvements in the benefits paid for children under New Labour and these need to be maintained. But the living standards of children depend also on the value of the benefits paid for their parents. These are now worth one-fifth less relative to average earnings than in 1997 and their real value is the same as 25 years ago.¹³ Mothers-to-be are at particular risk. The new government should commit itself to a review of the adequacy of benefit levels, particularly those paid to adults of working age. At present, the single person's rate is only 57 per cent of the official poverty line and a mere 42 per cent of the Joseph Rowntree Foundation's minimum income standard (MIS).¹⁴

The MIS is based on what 'ordinary' people believe is needed for a basic but acceptable standard of living sufficient to ensure human dignity. An income sufficient for human dignity is required by a human rights approach to poverty. It is a principle that must be applied to all members of society, including asylum seekers who are currently denied both mainstream benefits and the right to pursue an income through paid work.

The case for an MIS can also be made with reference to health inequalities in line with the Marmot Review, which calls for an adequate 'minimum income for healthy living' to enable people 'to lead a physically and mentally

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healthy life'.¹⁵ There is also an economic case as better benefits could help to revive local economies where they are likely to be spent. The counter-argument will be that higher out-of-work benefits are a disincentive to seek paid work. However, research suggests that if benefits are too low they can hinder active job seeking because of their negative impact on morale.¹⁶ And cross-national analysis found that employment commitment is stronger in welfare states that pay more – not less – generous unemployment benefits.¹⁷

There needs also to be a review of benefit up-rating policy. A Joseph Rowntree Foundation study showed that 'today's up-rating systems imply substantial long-term reductions in personal disposable income relative to earnings. While all groups will be affected, those with the lowest incomes will be hit hardest, causing widening economic inequality.'¹⁸ There is now a political consensus around restoring the earnings link to pensions; the link should be extended to benefits more generally.

Wages

The important role played by the minimum wage in 'protecting the bottom tenth of earners' is underlined in the NEP report, which observes that 'improving the level of the minimum wage relative to other wages is a potentially powerful weapon in reducing labour market inequality.'¹⁹ The report also emphasises the need to improve the pay and conditions of part-time workers, many of whom are female: 'We need to open up part-time opportunities beyond routine and low-paid occupations, and to open up career progression for part-time workers'.²⁰

Pay and the organisation of work are also critical to the success of welfare-to-work policies. A key finding of recent Joseph Rowntree Foundation research on recurrent poverty is that 'entering work cannot provide a sustainable route out of poverty if job security, low pay and lack of progression are not also addressed'.²¹ These factors are all highly gendered. A study of lone mothers who had made the transition from 'welfare to work' illuminates the difficulties of combining paid work with sole responsibility for children and points out that 'sustaining work can mean forgoing advancement when this does not fit with family responsibilities and care needs'.²² These studies provide a number of lessons for policy.

One is that more needs to be done to smooth the transition into paid work. Progress has been made in providing greater financial security after

starting work but the lack of such security still represents a real problem. For those not yet in a position to take a proper job, there is an urgent need to reform policy on earnings disregards (that is, the amount people can earn while on benefits) beyond the improvements already in the pipeline. The next government should dust down the proposal made by the Commission on Social Justice not just to raise the disregards, but also to make them more flexible by allowing people to 'roll up' informal earnings over a longer time period so as not to jeopardise their benefit.²³

It should also relax further the rules on voluntary and community work while on benefit. In its manifesto, the Single Parent Action Network (SPAN) says that '... we have seen [volunteering] as a way to improve self-confidence and as a stepping stone into employment but also as a way for these parents to engage with their local community.'²⁴ One possibility, supported by SPAN, is payment of a community allowance by voluntary and community organisations on top of benefit up to a limit equivalent to 15 hours at the minimum wage.²⁵ More radically, where employment prospects are poor, the obligation to seek paid work could be waived for people contributing a certain number of hours in voluntary or community work. This would be in line with the philosophy of a participation income and with the emphasis placed on community involvement in the Conservatives' Big Society.

A second lesson is that more needs to be done to help parents reconcile paid work and family responsibilities. More flexible working hours, paid parental leave, paid leave for family reasons, and accessible, affordable childcare and after-school/holiday care provisions are all part of the agenda.

A third lesson is that, whether for family responsibility or other reasons, not everyone wants to 'advance' up the employment ladder or is able to. As one research team contributing to the Joseph Rowntree Foundation recurrent poverty programme suggests 'more emphasis on improving the quality of jobs, in terms of pay and conditions, would help to address financial hardship among people in lower skilled occupations who are unable or reluctant to improve their position in other ways'.²⁶ In addition, the employment rights of workers in vulnerable employment need protecting and strengthening.²⁷

A more equitable labour market requires not just an improved minimum wage but also more effective action to tackle the gender pay gap

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and policy intervention to regulate earnings at the top. David Cameron has responded to public concern about out-of-control rewards among high earners with a proposal for 'a fair pay review to investigate pay inequality in the public sector'. It would be asked to investigate how to introduce a pay multiple 'so that no public sector worker can earn over 20 times more than the lowest paid person in their organisation'.²⁸ The principle also needs to be extended to the private sector, which is the source of the excessive rewards culture. As Compass and others have argued, we need a High Pay Commission to promote fair pay in all sectors.²⁹

Redistributive income policies need to be underpinned by a strong infrastructure of high-quality public services, which ensure both a good quality of life and equal life chances for children living in poverty.³⁰ How these services are delivered is also crucial. At present, low-income parents often feel they are treated with disrespect, and that service providers betray a lack of understanding of the struggles they face and disregard their views. Service providers should be trained in 'poverty awareness' as part of the development of a human rights culture.³¹ Opportunities to participate in the development of policy on services and benefits is also a crucial element of a human rights approach.³²

Conclusion

The new government faces not just an economic crisis, but also a crisis of poverty and inequality. While the economic crisis might prompt the response that this is not the most propitious moment to be putting forward the kind of strategy outlined here, the crisis of poverty and inequality calls for nothing less. As the NEP warns, how the next government rebalances the public finances 'will probably be the most important influence on how the inequalities both within and between groups evolve. *A fundamental question is now whether the costs of recovery will be borne by those who gained least in the period before the crisis, or by those who gained most and are in the strongest position to bear them.*'³³ This principle is only a starting point: the goal of recovery should be a more equal society in which the eradication of child poverty is finally achieved. ■

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This article was written before the May 2010 general election.

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The goal of recovery should be a more equal society

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