



Mutual Security in a Sustainable Economy

A Green Approach to Welfare

Molly Scott Cato
Brian Heatley

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The errors and omissions of course are theirs alone.



Summary

Our welfare system has been the site of political conflict for thirty years.

The present government proposes to introduce a Universal Credit. This suggests a commitment to a shared, universal welfare system and this change of approach is to be welcomed. However, like the Working Tax Credit before it, it is based on the assumption that the aim of the system is to promote labour market participation wherever possible.

And there is much wrong with the conventional analysis of the welfare system:

- the focus of political rhetoric is on the unemployed, and benefit cheats, but the vast majority of welfare spending is actually on the elderly;
- the consensus that a relative definition of poverty is the right basis for debate about welfare should be challenged, since any approach to poverty policy that focuses on a fixed proportion of average incomes sets itself an impossible target;
- moreover, a relative definition of poverty is also linked to economic growth, which a green approach to economics suggests must no longer guide our decision-making;
- the debate also frequently focuses around income inequality, whereas an economy in which assets as well as income were more equally shared would enable greater self-reliance and reduce the demand for welfare; and
- an economy designed to achieve self-reliance and based on strong local economies and sustainable

livelihoods would, in many respects, reduce the need for a costly social support network.

We make three central proposals that should guide a green approach to welfare:

- the close historical connection between welfare and the labour-market should be broken;
- the idea of an official 'retirement age' should be abandoned, to be replaced with a more flexible approach to social contribution and dependence through the life-course; and
- we should re-open the discussion about the usefulness of a relative definition of poverty in the context of a limited planet.

We also suggest a number of policies which include:

- the introduction of a Citizens' Income, paid to all citizens of the UK as of right and without work-based qualifications;
- the operation of the system on an individual rather than a household basis;
- a gradually escalating Citizens' Pension to be introduced from the age of 60 and the abolition of tax reliefs on private pensions; and
- the rehabilitation of thrift and a focus on education for self-reliance.



1. Introduction

For the last thirty years UK governments have threatened to ‘think the unthinkable’ on welfare. The Thatcher government toyed with US ideas like workfare, but in practice elected to massage the unemployment figures downwards by encouraging many long term unemployed people to switch to the dead end of incapacity benefit. Early in the Blair years there was huge activity, with Frank Field in particular issuing dark but unspecific mood music, while Brown as Chancellor grafted an entire new system, Tax Credits, a national system of wage support, onto an already complex welfare system.

Now, with the Cameron government, we have Iain Duncan Smith issuing a Welfare White Paper¹ and a subsequent Bill, promising to move more of those on welfare into work through the mechanism of a universal credit, but against the background of substantial cuts in expenditure.

The days of vibrant enthusiasm and boundless optimism that marked the birth of the welfare state in the wake of the Second World War, the years of acclaim, when generations of people were born, educated and supported through life in comfort and without financial anxiety have passed. They have been succeeded by the neo-liberal era when the central ideas of the welfare state, jaded by time and eroded by political attacks from the market advocates, appear stale and sterile.

It is time to think fundamentally about what we owe each other in terms of mutual support, both morally and practically, and how that should be delivered. But that needs to be done in a wider economic context, and the

right context is that of a green economy: stable but not growing, with far greater overall equality, with recognition of the non-market economy (especially important in this area) and with a gradual decline in reliance on fossil fuels. The reductionist thinking that typifies current policy-making – for example considering ‘welfare’ without considering how the economy works as a system – limits the scope of debate and outlaws discussion of the major structural changes that we believe are necessary. One of the main contentions underpinning this paper is that an economy designed to achieve self-reliance and based on strong local economies and sustainable livelihoods would, in many respects, reduce the need for a costly social support network.

Just three real examples² show how a different economy provides an opportunity for creative approaches to welfare:

Alf is 64 and has been on incapacity benefit and housing benefit for five years, with a top up in recent years from pension credits. He went on incapacity benefit when his very stressful job caused a nervous breakdown. Alf is physically fit, and has many practical skills, including in particular an enthusiasm for cycle maintenance. Alf would like a gentle part time job, not too rushed and modestly paid, with a local cycle shop, and there are local shops who would like to employ him informally to help meet the high demand for cycle maintenance. But the benefit system simply will not allow this to happen – one is either incapacitated or capable of full time work. It will be easier for Alf when he gets his state pension, but issues could still



arise with his pension credits and housing benefit. A system which allows Alf to work part time without massive financial penalties would be much better – for Alf's health, income and sense of self-worth, for the local business in the bicycle shop, and by encouraging cycling.

Jim is a man from a working-class family who benefited from a free university education to support his strongly held political views which meant that he conceived of most work as wage slavery. He has a very strong work ethic, however, and was a skilled wood-worker. After leaving university he worked in a series of poorly paid and temporary jobs, frequently being dismissed for insubordination, and often finding himself living without any money, refusing to sign on for benefits. Eventually he found his way into a recycling project, where he was able to use his skills to mend discarded items and bring them back into use, as well as training other young people with emotional problems and mental disabilities. The subsidy for the charity he worked for was ended and Jim lost the position in society he had eventually found which gave him a sense of meaning and purpose. Six months later Jim committed suicide.

Flora left home because of violence between her parents and directed at her by her step-father. She moved in with a boyfriend and had a baby, although the relationship was always rather tenuous and ended within a couple of years. Flora's daughter Rose is now 9 but still needs a lot of attention so that Flora cannot take up a full-time job in spite of the fact that she has worked

hard to become a qualified landscape gardener. Flora has come under pressure from the Social Security office to increase her work hours, but she does not want to neglect her daughter. She relies on Working Families Tax Credit to support her income. A welfare system which did not withdraw support when a person got a job would encourage Flora to work the hours she feels are right for her and Rose.

None of these examples are 'scroungers' or part of the ever growing army of pensioners, the main perceived problems of the welfare system. But they are real and telling examples of how a system tied rigidly to the labour market is frustrating much human creativity and fulfilment.

This paper will begin with a brief history of how we have got to where we are, since amongst other things that history contains many examples of other ways of doing things in very different situations, which assist in widening the context of the policy debate today – but we stress just context, we will not, for example, be recommending a return to the middle ages. It will then briefly analyse the current situation, both in terms of the suggested reforms and as seen against the background of the labour market.

Then we step back, and ask fundamental philosophical questions about what mutual support we owe each other, and how, in principle, that has been and can be provided. In particular we identify a number of quite different types of welfare support, from those depending on life-cycle or long-term condition, such as support for children and the old, to those who need shorter term protection



from accident, illness or the vagaries of a restless market economy.

We move on to sketch the outlines of a green economy, and within that address how mutual support might operate in such an environment. Finally, with both that longer term vision and the analysis of the present system before us, we generate a number of practical policy measures that could be implemented now, including the key concepts of thrift and a Citizen's Pension, and which represent a transition both to a green welfare system and the wider economy that sustains it.



2. From charity to poor laws to welfare.

In medieval Europe most people lived in poor peasant families with access to some land for their own subsistence as well as owing labour services to their lord. The most common cause of destitution was periodic famine, which affected everyone. There were relatively few old people, and they mostly relied on their families. The small number of unattached poor usually relied on the charity of the church working mainly through monasteries, or for working people in towns, their guilds. There was initially little distinction between the deserving and undeserving poor; assisting the poor was an opportunity for the better off to do a good deed and gain credit for the afterlife.³

With enclosures, the creation of a landless rural proletariat and the dissolution of the monasteries, this system faced a gradually emerging crisis, culminating in the creation of the Elizabethan Poor Law at the beginning of the 17th century. Displaced peasants with no access to their own land were essentially whipped back to their parish of origin, where they became a charge upon the rates and were usually forced to work. The system was essentially local, and varied widely.⁴

This system faced a further crisis with the industrial revolution, when sending town workers back to rural parishes no longer made sense for generations born in the towns, and the vagaries of the trade cycle became a major cause of destitution. From the late eighteenth century the response to the able-bodied poor was the gradual spread of the Speenhamland system, where low wages were subsidised from the parish.

Employers soon learnt that wages could be reduced to almost zero since the parish would provide.⁵ Such a system met huge resistance from the ratepayers, and with the enthusiastic backing of the new class of political economists, the punitive New Poor Law of 1834 was introduced, with its apparatus of grim workhouses designed to reduce the amount of 'outdoor relief' – money paid directly to the poor in their homes.⁶

In revulsion against the provision offered under the New Poor Law working people began to develop their own defences against accidental misfortunes and sickness in the Friendly Society movement, of which only a remnant survives today,⁷ as it was effectively killed off initially by Lloyd George's unemployment benefit scheme before World War One, and subsequently by the more comprehensive welfare state developed after World War Two. Similarly a voluntary, charitable but not universal medical service was rolled into the National Health Service.

The basic architecture of the present-day welfare state was laid down in the Beveridge report and implemented after 1945. The society of Beveridge was a society of nuclear families, rigid class divisions and a homogeneous white Christian culture. The majority of people were members of the 'working class', which meant that they were employed in manual tasks: it was their physical strength, combined with skill and exertion, that guaranteed their livelihood. This both reduced life expectancy and brought forward the age at which such work was no longer physiologically possible. The system was designed in particular to support families when the male breadwinner fell on hard times and for those



relatively few who were fortunate enough to live beyond retirement age.

Of the many changes since 1945, the most important is the changed role of women, who are now central to the labour-market and economically independent. On the one hand this has enabled them to provide for their own needs and to choose the option of a lone-parent family rather than that of an unhappy relationship: the proportion of people living in a single parent household was just 3% in 1961, while by 2009 it was 12%.⁸ On the other hand it has made them unavailable to play the important role they formerly did, providing the glue that held local communities together, and looking after the old, the ill and children. If society seemed bigger in the 1950s this was largely because women were investing so much time and energy in creating it.



3. The present system and its discontents

The coalition government lists the main problems with the current system as being:

the ever increasing cost of the system (an almost 40% real increase in expenditure over the period of the Labour government);
high rates of welfare dependency;
poor incentives for people to move from benefits to work; and
complexity.⁹

Behind this rather polite approach lies a more populist and political attack on welfare. The popular view of welfare is that it should be a support system for people who are unable to work hard enough and earn enough to support themselves and their dependents. This includes both people who are permanently in this position, such as the old and those with disabilities, and those who are temporarily and through no fault of their own, in this position. But also, in the popular view, the system supports large numbers of scroungers and benefit cheats, who could work if they wanted to, or who are illicitly working, and who are milking the system. And we also hear about the well off who are nevertheless accepting universal benefits like child benefit or the winter fuel allowance.

While we would not disagree with some aspects of this (in particular complexity, welfare dependency and poor incentives) we see some rather more fundamental problems with the system, and they are addressed in this section. In particular we identify:

- the irrefutable fact that the overwhelming driver of higher costs is the ageing of the population;
- the unwillingness of the system to see economic worth in terms of anything other than competitive labour-market participation;
- that the causes of the need for welfare are often due to larger problems with the functioning of the economic system, such as boom and bust;
- that welfare dependence is exacerbated for many people not just by low income but also by a very unequal distribution of financial assets;
- that the latter in particular makes it difficult for many people to help themselves through self-employment or founding their own business;
- that much of the complexity and perceived injustice in the system derives from social changes in the nature of families and in particular the position of women since the system was constructed in the Beveridge era; and
- that a part of the dependence on welfare is related to people's lack of simple life skills and declining ability to look after themselves.

Following the money

On the first of these, the ageing population, it is notable that although it is the 'scroungers' – the undeserving poor – who attract popular attention, the major driver of the increase in costs is simply the increasing number of pensioners. Benefit fraud by contrast is estimated to amount to only about 1% of total benefit expenditure.¹⁰



We are living longer, and are generally fit and healthy for longer as well. Life expectancy at birth in the UK is now (2008) 78 years for men and 82 years for women. The comparable figures for 1981 were 71 years and 77 years.¹¹ Healthy life expectancy also seems to be increasing over the same period.¹² As a result of these longer lives, the proportion of those in the population aged 65 and over is projected to grow from 16.6% to 24.4% of the population in the 40-year period from 2011 to 2051.¹³ The ratio of working age people to people of state pensionable age is projected to decline from 3.2 in 2008 to 2.8 in 2033.¹⁴

In terms of benefits, in 2011/12 DWP forecast that just over half, 51.2% of the total benefit expenditure of £152Bn will be spent on the (currently rather inadequate) basic state pension, second state pension and pension credits (See Annex 1, Table 1). Moreover, because older people take a disproportionate share of other benefits, especially Housing Benefit and Council Tax Benefit,¹⁵ two thirds of *all* benefit expenditure is already directed at people above working age, and DWP expect this to rise to 71% as early as 2015/16, though this is partly driven by reduced expenditures on younger people.¹⁶ If the growth in expenditure directed at this group simply reflects its growing proportion in the population, the two-thirds of benefit expenditure spent upon them now will become as much as three-quarters by 2051. Put another way, this expenditure represents about 6.7% of GDP now, but, other things being equal, will rise to almost 10% of GDP by 2051.¹⁷ This also takes no account of the increasing burden of an ageing population on the National Health Service.

Governments have so far reacted to this pressure with two policies – raising the pension age and promoting private pensions, while the Cameron government has floated the idea of a single flat rate pension at a higher rate (£140 per week in current terms) as a longer term reform.¹⁸ The government is slowly equalising the pension age for women and men, and proposing even more slowly to increase the pension age to 66 from 2026 and then to 67 from 2036 and 68 from 2046 (though plans now before Parliament propose to bring forward the rise to 66 to 2020.¹⁹) This is not quite enough to nullify the increase in costs: a 10% reduction in demand by raising the age to 66 by 2036 does not equal the 12.5% increase in burden on those of working age.

The other part of the response of successive governments to the increasing numbers of elderly people has been to say that occupational pensions (and private social care) should carry a greater part of the burden. Yet in practice occupational pensions are in decline. In the private sector, final-salary schemes are becoming unavailable to new members at a record rate: according to the National Association of Pension Funds just 21% of private sector schemes are now available to new joiners compared to 88% of such schemes just 10 years ago.²⁰ In the public sector the Hutton Report has recommended considerable weakening of pension schemes involving a link to average rather than final salaries, a later retirement age and higher contributions.²¹ This is against a background where only half of all employees are in any workplace pension scheme.²² Moreover, the government's main policy instruments – the present tax and National Insurance incentives for private pension saving – are extremely



expensive, totalling around £40bn or 2.7% of GDP,²³ and mainly benefit the better off.

What do we miss when we follow the money?

Turning to those of working age, while the popular distinction between the undeserving and the deserving poor is important, there is a more important and unspoken underlying assumption. The mainstream discussion assumes that economic activity is primarily organised through the market and, by extension, that everything that is not bought and sold does not have economic value and does not enhance welfare. Green economists have a wider definition of economic value, as illustrated in Henderson's illustration of the economy as a layered cake, as illustrated in Figure 1 below.

The market-oriented discussion of economic activity focuses on the private sector level, suggesting that this is where value is created, a

quantity of which should then be removed through taxation to fund the other layers. Henderson's view, by contrast, is that the lower layers support the market activity. How would companies be able to function without educated employees, or without a health system to heal those employees if they should fall sick? And more fundamentally, how would company employees or nurses and doctors have come to be useful to society without mothers to care for them in infancy, or friends and colleagues to support them through difficult times? It is this basic caring, what feminist economists refer to as 'reproductive labour', that is fundamentally necessary to human productivity and human welfare.

Any policies to address the superficial levels of welfare expenditure that undermine these deeper layers are self-defeating. A further issue arising from the Welfare White Paper is the question that lies at the heart of a modern welfare policy: is it a residual service

GNP-Monetized
½ of Cake
Top two layers

Non-Monetized
Productive ½ of Cake
Lower two layers

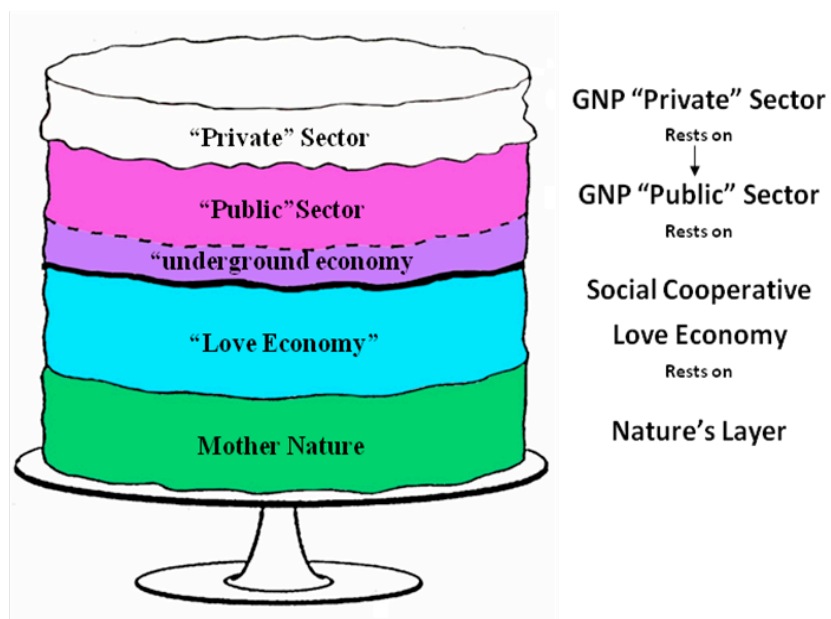


Figure 1



for the needy and vulnerable, or a universal service that ensures security for all? Iain Duncan Smith's proposal of a Universal Credit suggests the latter, as would the sloganeering about how 'We are all in this together'. However, this is directly contradicted by the decision by the same government to abolish the universal provision of child benefits and the suggestion that they might curtail other needs-related payments such as winter heating payments.

The real focus of the Universal Credit is not social security but the labour-market. It partially achieves one important objective of any reform of the welfare state: the abolition of the poverty-trap. However, it achieves this not by providing security but by merely ensuring that nobody is worse off in purely cash terms if they make the decision to work. Under the proposals the employed may still face marginal deduction rates as high as 75%,²⁴ considerably higher than the top rate of income tax of 50%. Effectively, then, it is a policy that facilitates a low-pay labour-market, what might elsewhere be referred to as a 'flexible and competitive labour-market.' For those who cannot work through ill health, or cannot find suitable employment, or choose to prioritise something other than work at a certain stage in their lives, it offers the prospect of greatly reduced benefit rates.

The failure of the capitalist labour market is itself the cause of many instances of vulnerability and insecurity which then require assistance from what is now called the system of welfare.²⁵ First, periodic recessions throw large numbers of people out of work and make them dependent on welfare; a more stable economy would reduce this effect.

Second, a certain amount of unemployment is needed by capitalism to put downward pressure on wages – periods of full employment lead to advances for working people, and a punitive welfare regime offsets this. Policies like a living wage, that is a minimum wage at a more realistic level, would work to counteract this. Third, unplanned investment and implementation of the consequences of technological change can lead to whole regions lacking employment, throwing a large part of the population on welfare. Rather more strategic planning of the economy, including explicit regional policies and strengthening local economies, would reduce dependence on welfare. Fourth, a very competitive labour market reduces the ability of those less able to make a contribution – but nevertheless able to work a little or at lower levels of intensity – to find jobs. Privatisation in the public sector intensifies these pressures. Accordingly large numbers of people are thrown onto incapacity benefit or similar, when everyone would be better off if they could operate within a more sheltered employment environment. An economy that made less distinction between work in or out of the market would bring large numbers of people into useful fulfilling activity.

Asset ownership and dependence

Although the discussion is usually framed primarily in terms of income inequality, the unequal distribution of assets is a deeper and more persistent source of social inequality.²⁶ A society where the ownership of assets was fairer might enable people to be more resilient, reducing the demand for welfare.



Large numbers of people have no assets (beyond for some the inflexible and illiquid asset of a house set off by a mortgage), which greatly increases the dependence on welfare. The Centre for Asset backed Welfare found that if debt is excluded, the median level of financial wealth in 1997-8 was £100, while the bottom 30% of the population had no financial wealth at all. This lack of wealth is strongly related to income and age: 40% of those receiving less than £100 per week in 1997/98 had no savings at all and as many as 70% of 25-34 year olds in this lowest income group had no savings.²⁷ Lack of wealth affects how people approach difficulties. First, people lack a reserve fund to carry themselves over brief periods of unemployment or illness. Second, they lack the capital or land to set themselves up in business, or even to engage in small-scale subsistence activities. Hence, an economy where

more people were better insulated against short-run crises would put less pressure on systems of mutual support. One way of achieving this buffer is through the use of assets, and hence a wider spread of asset ownership would lead a more resilient, less dependent population.

More recently Daffin, reporting the results of a study conducted for the Office of Public Sector Information (OPSI), has reported the increase in the disparity of asset ownership during the years of New Labour government. As illustrated in Figure 2, according to Daffin's study, the Gini coefficient for asset inequality is 0.61.²⁸ It varies between different kinds of property: the gap between the richest and poorest was least in terms of material possessions (0.46) and greatest in terms of cash holdings (0.81), with pension savings (0.77) and property wealth (0.62) coming somewhere in between (these data are

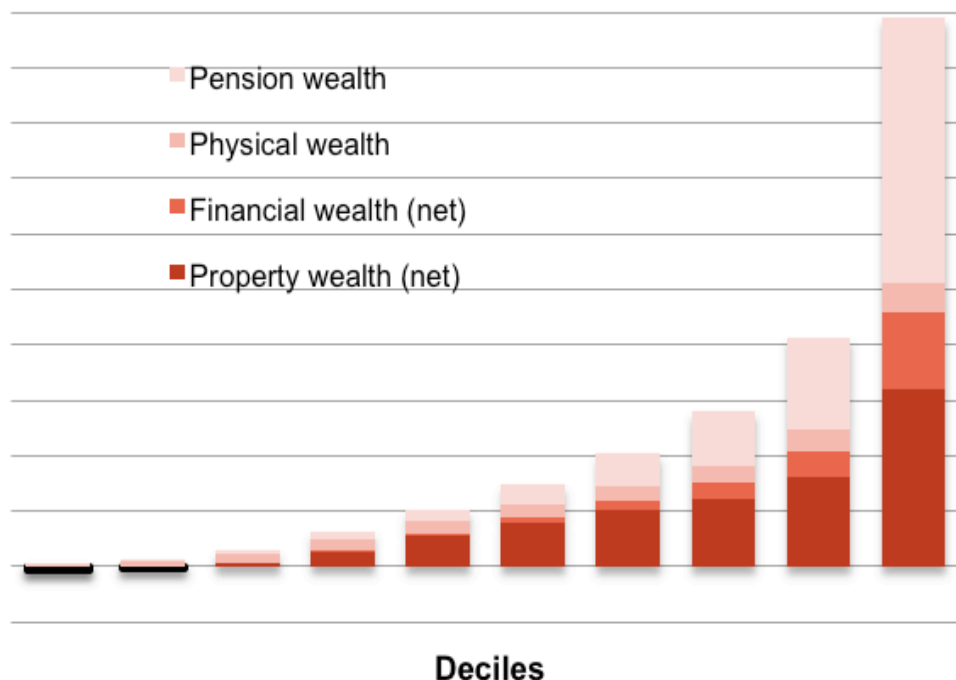


Figure 2 Breakdown of Aggregate Wealth, by Deciles and Components

Source: Daffin, 2009: Figure 2.2.



illustrated in Figure 2.) Perhaps a better idea of inequality in asset ownership can be gained from comparing the extremes of the distribution:

*The wealthiest 10 per cent of households were 2.4 times wealthier than the second wealthiest 10 per cent, and 4.8 times wealthier than the bottom 50 per cent. The least wealthy 10 per cent of households had negative values for both net financial wealth and net property wealth. They did, however, have some physical wealth. In 2006/08, the least wealthy half of households in Great Britain had 9 per cent of total wealth (including private pension wealth), while the wealthiest half of households had 91 per cent of the total. The wealthiest 20 per cent of households had 62 per cent of total wealth including private pension wealth.*²⁹

As jobs in the public sector disappear and as the private sector shrinks in response to a reduction in aggregate demand, entrepreneurs are expected to step into the breach. In spite of what the Dragon's Den might suggest, entrepreneurs are not people who just walk in off the street with a bright idea. Entrepreneurship tends to run in families: this is not because of the inheritance of competitive or aspirational genes; it is because of the inheritance of capital. For example, the probability of self-employment depends on whether the person ever received a gift or inheritance. Those who received a minimum of £5,000 are twice as likely to set up a business.³⁰ More practically, some fixed assets, such as houses, are needed in practice to borrow money to start a business.

A More Skilful and Capable Citizenry

Finally, one reason that lacking cash is so damaging is that people have lost many of the elementary skills they need to help themselves. Many of us can remember our grandparents growing much of their own food and mending clothes and cars. A combination of built-in obsolescence, longer work hours and cheaper consumer goods has reduced our range of basic skills to a small number, most of which involve a keyboard. Many people display a kind of 'learned helplessness.' A recent survey by Halifax Home Insurance found that younger people under 35 in particular lacked many basic household skills, such as the ability to wire a plug or undertake wallpapering.³¹

This helplessness forces us to resort to the market to meet almost all our needs, increasing our need for cash and reducing our independence. As the Transition Movement is well aware, with its emphasis on The Great Reskilling,³² this makes us vulnerable as a society as well as dependent as individuals.



4. Why should we support each other?

The most basic argument for having some sort of welfare system arises as a result of our shared need for support resulting from the normal human life cycle. We are born helpless and most of us will die helpless. While we do our best to ignore these harsh realities, at the beginning and at the end of our lives we depend upon other people to provide for our most basic needs. We all need support from others. In between birth and death we will if we are lucky be able to contribute to the support of others much of the time, but some of us will have bad luck and will need support. While a very few of us will seek to exploit the system and try to get a free ride off the rest of us this is an inevitable feature of any human society and should not determined our approach to welfare.

Figure 3 below illustrates the social purpose of a welfare scheme from a life-cycle perspective. It demonstrates graphically the social and economic contribution made across the human lifetime. The initial section, when the curve is below the line, represents childhood, when people are dependent on the economic activity of their parents, as well as their parents' unpaid care. The central section represents adulthood, when on average most people are net contributors to the social product. The final section represents old age, when people again become dependent on the labour of others. Critical questions concerned with welfare depend on the age at which this line crosses the horizontal axis. For example, if the school-leaving age is raised to 18, we are automatically increasing the proportion of dependents and putting extra pressure

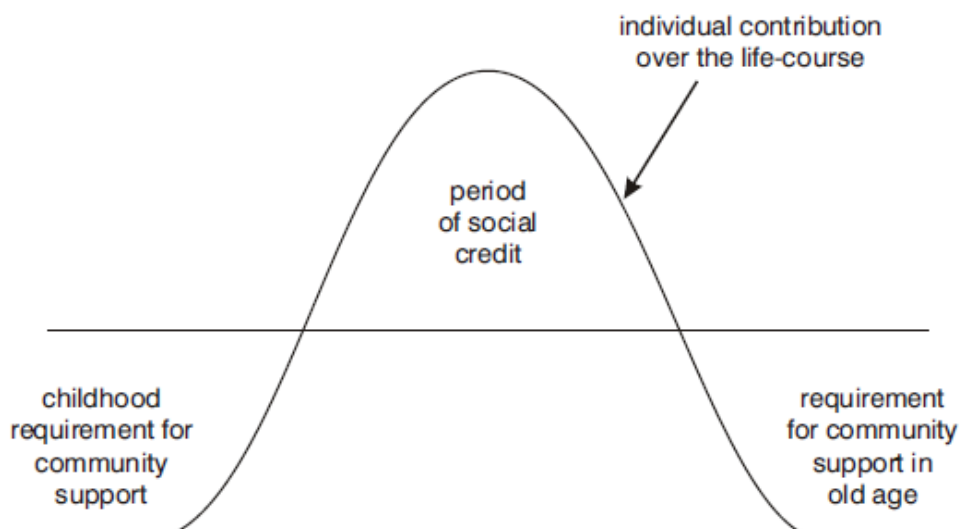


Figure 3- Illustration of ability to provide for one's individual needs over the productive life-course



on those in work. The length of life beyond the end of paid employment has a similar effect. The aim of a balanced pensions plan by an individual would be to balance the contribution above the line with the costs below it. But without the ability to predict our own deaths this is, unfortunately, not possible.

However, this diagram is not sufficient in itself. We have to imagine it extended by a range of similar curves of other individuals of different ages, since what we are arguing for is a system of mutual interdependence, in contrast to the individual independence which dominates current discussions in the era of the 'personal pension plan' and the 'independent financial adviser'.

A free-marketeer might respond that the life-cycle argument is all very well, but it is not in itself an argument for a socially provided system. People should only have children if they are prepared to support them, and individuals should save for their old age. In fact in practice this individual approach often breaks down: except for the tiny minority of the very rich, the provisions of a welfare state are universally needed. Children will be conceived in circumstances where without social intervention they will not be properly provided for. Few of us can afford to die privately – especially if we fall victim to a lingering and high-cost disease such as cancer – and fewer still can afford to pay for all the support that we may need in our old age. Arguably we can all afford to insure against these misfortunes, but in practice insurance schemes tend to run out when faced with a lengthy and expensive death.

But the arguments for a socially provided welfare system are not just

practical, they are also political and moral. Why support those who cannot support themselves? And, the harder question, why support those few who could support themselves but for various reasons choose not to? We take it for granted in our modern society that the vulnerable should not be left to suffer and die, but this is not a basic assumption of all societies. In the USA, for example, infant mortality is twice that in Japan;³³ there is little doubt that the US has the means to close the difference, the point is that they have made political and moral choices not to do so.

Drawing wider conclusions from these differences, Esping-Anderson developed a very influential typology of 'three worlds' of welfare capitalism based on three principles:

- decommodification (the reliance of the welfare system on market provision);
- social stratification (the extent to which the welfare system is concerned with redistribution and social mobility); and
- the socio-political status of the key provider, whether private, familial, state or voluntary.

Based on these principles Esping-Anderson suggested three basic types of welfare regime: the Liberal, the Conservative and the Social Democratic.

According to one analysis of this typology:

In the Liberal regime countries, state provision of welfare is minimal, benefits are modest and often attract strict entitlement criteria, and recipients are usually means-tested and stigmatised. The Conservative



*welfare state regime is distinguished by its “status differentiating” welfare programmes in which benefits are often earnings-related, administered through the employer and geared towards maintaining existing social patterns. The role of the family is also emphasised and the redistributive impact is minimal. The Social Democratic regime is the smallest regime cluster. Welfare provision is characterised by universal and comparatively generous benefits, a commitment to full employment and income protection, and a strongly interventionist state used to promote equality through a redistributive social security system.*³⁴

While this typology is useful for ground-clearing and because it has attracted so much attention, it has also been heavily criticised. Firstly, it was based on a fairly narrow range of white, western and largely Protestant

societies. Secondly, it is ‘gender blind,’ not asking questions about who is responsible for the welfare when it is not provided adequately by the state. There are also a range of critiques of the analytical basis and methodology.

Our critique, however, would be that the typology does not attempt to distinguish welfare systems on the basis of what they are seeking to achieve: their basic motivation. This seems to us the most important question to ask, and the failure to ask this question has led us into the mess we are currently facing with welfare in the wealthy Western democracies. So why have we decided as a society that providing for the social security for all is a priority for our public expenditure? To frame our discussion we have created a typology of core welfare motivations, as outlined in Table 1 to help us analyse the orientation of those involved in the current debate.

| Label | Guiding principle | Key advocate | Focus of action | Policies |
|---|--|------------------------------------|---|---|
| National efficiency | The working stock of the country needs to be kept at sufficiently high quality to staff capitalist enterprises and fight in defence of the country | Kitchener/Lloyd-George | State | Health care; unemployment benefits at the point of need |
| Pragmatic | Hungry people are rebellious and hence the security of the state requires that the majority of the population are provided with a basic minimum | Churchill | State | As above, plus pensions as a reward to contribution to the national economy while young and fit |
| Moral-religious | It is a moral or religious duty to care for the vulnerable; often matched by parallel 'work ethic' | Beveridge | State/local; community enforcement of norms | Workfare; encouragement of private provision of health and education; philanthropy |
| Socialist | The state has a duty to provide 'to each according to his/her need' | Marx | State | Universal provision of wide range of social services including housing |
| Communitarian | A flourishing human society is not possible while some have unmet psychological or physical needs | Kropotkin | Local self-reliant communities | Services as defined by the community; diversity |
| Commonwealthist or ecological rights | The value of a country, including its natural resources is the equal right of all; the aim of welfare should be to ensure its fair allocation | Guild socialists; green economists | Guilds, co-operatives, mutual organisations | Radical redistribution of assets to individuals and communities Citizens' Income |

Table 1



These different underlying assumptions about why we should concern ourselves with the needs of the vulnerable suggest very different policy agendas. For example, if we believe that there is a moral or religious duty to care for the vulnerable and that this imposes a duty on them to work as much as they are able, our policies would focus on addressing the short-term needs of the sick and inserting them back into their labour-market role as rapidly as possible.

The greatest problem blocking the way to 'welfare reform' is that there is no shared philosophical underpinning: there is no consensus about what society is and what our duty to each other is. As our brief historical outline makes clear, the response of working-people to the intolerable conditions of the post-industrial cities was to look after each other, to be each other's welfare. This motivation has persisted in working-class communities, where moralistic messages about the duty to work may well fall on stony ground. Seen in this context, Iain Duncan Smith's visit to Easterhouse could never have resulted in appropriate policy, since there was no shared cultural understanding to enable a 'big conversation' to take place.



5. Welfare in a Green Economy

Central Features of a Green Economy

While this paper is focused on welfare, it proposes a welfare system for a green economy, rather than for the economy as presently structured. For this reason we need to sketch some of the key features of a green economy as a background to our policy proposals.

Green economists respond to the demands of sustainability and equity, which they argue are interlinked and interdependent. Historically, economic growth has been used to side-line questions of allocation. Put simply, the ever-increasing economic pie has meant that, since everybody's slice has grown larger, there was no need to question how fair the original shares were. But green economists establish clearly the need to respect the planetary frontier,³⁵ meaning that questions about how the limited economic production that ecological sustainability allows is to be allocated are central. Other authors have documented the link between a competitive, status-driven society and reductions in levels of social and psychological satisfaction.³⁶ Their suggested alternative is to develop systems for 'flourishing within limits'.³⁷

Henderson also identifies the problematic nature of a capitalist economy, which has the accumulation of capital as a central feature:

'An economy based on renewable resources carefully managed for sustained yield and long-term productivity of all its resources can provide useful, satisfying work and

*richly rewarding life-styles for all its participants. However, it simply cannot provide support for enormous pyramided capital structures and huge overheads, large pay differentials, windfall returns on investments, and capital gains to investors.'*³⁸

This represents a waste of scarce resources which would not be possible within a sustainable economy. The design of a green economy will therefore, and necessarily, have equality built in.³⁹ This will mean co-operatively owned workplaces, where there is no extraction of surplus value and an equal sharing of the production of labour.

This is not the place to set out in full the main features of such an economy.⁴⁰ However, we need to pick out in particular the features of such an economy that are relevant to welfare, such as:

- a lower level of material throughput in the economy, with probably a smaller money economy and a greater role for the informal and household sectors, where one particular subsistence item, food, is likely to be relatively more expensive. This will affect the cost of providing a basic standard – relative to overall incomes it might well be higher;
- the economy will be stable, not growing, but also less liable to cyclical fluctuations. This means that growing aspirations cannot be met out from the proceeds of growth;
- the basic structure of the welfare system will be effectively fixed, and politicians will no longer be able to claim that poverty will be solved by growing the size of the overall cake;



- income distribution and the distribution of wealth will be more equal. The share of wages and salaries is likely to be higher while the share of rents and profits is likely to be lower. There will also be greater access to commons. As a result more people will have some small savings and be able to finance themselves through small emergencies. But this system of greater equality will increase pressure for welfare payments to be relatively generous; people will not tolerate huge differences between those receiving welfare and everyone else. This will have funding implications;

- the labour market is likely to be less competitive, more flexible in a human rather than narrowly financial sense, and to be more able to accommodate a greater number of less demanding jobs;

- the economy will be more local, more mutual and diverse in organisational types, while enterprises will be smaller;

- working hours are likely to be shorter, giving more time to production within the household. Households possibly would be larger, and so more resilient. Individuals may become less specialised and more able and willing to provide for themselves outside the money economy; and

- the issue of population will be made a policy priority, with the aim of stabilising population sizes at levels sustainable within a limited environmental boundary. This is likely to create considerable demographic imbalances during the period of transition

Green welfare

We believe that the basic foundation of a green welfare system comes from two of the traditions identified above.

First we recognise that all wealth comes ultimately from the earth and labour. To put it another way, economic value is created when people perform activities with natural resources derived from the earth.

Some value requires very little labour, as when we pluck the fruit from a wild tree and eat it. Some value is mainly created by labour, such as a hair-cut, but even that uses natural resources in the form of the scissors and a place to do it. Most value is a combination of both, and of course some of the natural resources and labour may be crystallised in the form of capital equipment, like the scissors. We consider that we are all entitled to our share of the earth and the earth's natural resources, despite the fact that so much of it has been enclosed and privatised.

Moreover we do not all automatically own the product of our own labour, since although that product in part derives from our own exertions, it also comes from the accrued skills and experience of many people before us, and our capacity to perform it comes from society's investment in our existence, skills and character.⁴¹

Accordingly because all created value has both this natural and societal component, some part of it belongs as of right to everyone; that is everyone is entitled merely by virtue of his or her existence to some share of society's product. It doesn't follow from this that this share should be at some particular level, but it does mean that this part of our income is unconditional, something that cannot be taken away from us because of bad



behaviour or unwillingness to participate in the labour market. This view historically has been associated with the commonwealthist view that everyone is entitled to some income and wealth as of right. Part of the function of the mutual security system is to ensure people get this basic income – welfare is a by-product of this assertion of right.

But there is another strain too to the Green concept of welfare. We consider that morally we owe each other mutual solidarity; that it is our duty to help those less fortunate than ourselves, and that a society with extremes of poverty and destitution is abhorrent. Moreover, as we pointed out above, we all have parts of our lives, particularly when we are very young and very old, when we need help from others. This is essentially consistent with the moral-religious and also with a socialist conception of welfare, though there is a further debate to be had about how much of that duty devolves upon individuals in the household or family of the welfare recipient, how much the local community and how much the state. There is also a debate to be had about the level of help to be provided: should it be just enough to prevent destitution or does it extend to some relative definition of poverty that is to be prevented.

We will address those two issues in a moment. But while on the subject of why we have welfare policies, it might be as well to list a number of other desirable features of any welfare system.

First the system should not be too complex. This is partly for practical reasons, to avoid wasting money in administration, and reduce the rate of error. But it is also necessary for

reasons of comprehensibility and certainty; people need to know where they are, and what will happen to them if they take certain decisions, like deciding to work for a few more hours.

Second the system needs to be perceived as just. It falls into disrepute if some people are paid a great deal more or less than others for no good reason.

Third, the policy needs to avoid creating temptations that criminalise people for essentially positive activities. So, for example, the extremely high withdrawal rates of the current system tempt people into informal but undeclared employment, often of a valuable kind. Or positive changes in circumstances, such as people becoming part of a new household, are not declared because of their benefit consequences, or do not take place.

Fourth, we recognise that there is a limit to the total proportion of a society's monetary income that can be devoted to welfare. But that limit can be quite high. In Sweden, for example, OECD estimates suggest that in 1993, 42% of GDP was spent on public social expenditure, as compared with 32% in Germany and 27% in the UK.⁴² Welfare is one of a number of social goods (others are health and education) whose value is higher than much that is produced in the private sector, certainly higher than luxury goods, and there is a case for increasing its importance.

Defining Poverty

So what does all this mean for a welfare system? Two basic issues need to be addressed before we get down to more detailed design. First,



how should poverty be defined, or to put it another way, what standard is it that the welfare system should support? Second, should the system be based on individuals or households?

While most would accept that there is an absolute biological concept of destitution – an absence of food, insufficient clothing and shelter for the climate concerned, and perhaps we might add basic medical care – poverty, and the aim of the welfare system, is more often defined in relative terms. This is not an especially new idea, despite the classic UK formulation by Townsend

*'Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities, and have the living conditions and amenities which are customary, or are at least widely encouraged and approved, in the societies in which they belong.'*⁴³

and the more modern variant of deprivation of capability to function in a society by Amartya Sen. The relative definition can be found in Adam Smith:

*'By necessities I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even the lower order, to be without ... Custom has rendered shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them.'*⁴⁴

On the basis of this kind of relative idea, the poverty line in the UK is normally defined to be a household

income which is 60% of median UK income after housing costs have been paid.⁴⁵ Thus UK pensioners are currently (Spring 2011) demanding a basic state pension of £165 per week on the grounds that this is the poverty line for an individual. One may ask why 60% and not for example 50% or 75% – no such specific figure flows from the Townsend definition – but this is not the main criticism we have of the relative definition.

The major problem for the relative definition of poverty is that it relies on and drives economic growth. The assumption built into the post-war welfare model is that, as the economy expands, incomes increase, so median incomes increase and the provision of services by the state will also expand. This relies on growth inasmuch as it offers the poor the prospect of an ever-expanding standard of living, thus ameliorating to some extent their still unhappy position. It drives growth because those above the poverty line wish to maintain their relative position above those defined as poor, and as they expect that minimal level to rise they need to maintain the differential. This is not compatible with a steady state economy.

A second problem with the relative poverty definition is that it depends not just on average income levels but also upon the distribution of income. In 2008/9 UK mean equivalised household income before housing costs⁴⁶ was £507pw (or £26.4k annually) while the median household income was £407pw.⁴⁷ If the mean income remained the same and the income distribution became more equal the effect would be to move the median slightly closer to the mean, that is to say to increase it. Thus a more equal income distribution would result in a higher poverty level under the



relative definition; indeed welfare policies that have the explicit aim of making income distribution more equal have the paradoxical effect of raising the poverty level. It is impossible to say without more detailed calculation whether this would result in more or fewer people being in poverty; the additional number of people between the old and new poverty levels would be offset to an indeterminate extent by the lower number of people below the original poverty level.

Thus just as growth of incomes by themselves will have little effect on the numbers in relative poverty, re-distribution of income to the sort of more equal level actually achieved in the most equal industrialised countries also has a relatively small and uncertain effect on the numbers in relative poverty.

So a relative definition of poverty is arbitrary, is associated with growth, creates poverty levels that will not be alleviated through growth, and even delivers poverty levels that are rather resistant to changes in the distribution of income, quite contrary to our intuition that in more equal societies the absolute differences between people will be less and so the perception of poverty softened.

Rehabilitating Thrift

So if poverty is not relative, what is it? It is not simply the absolute biological minimum concept that has been opposed to relative poverty definitions. Nor is it some calculation relating to average monetary incomes. Rather it is inevitably a socially defined concept, and therefore one that is subject to changing values and mores. An example is our changing relationship with the idea of thrift,

which was once considered a virtue but is now denigrated. If we were able to rehabilitate this idea of living carefully and with awareness of the need for economy in the traditional sense, we might arrive at an idea of a minimum standard of living that is sufficient to support what is required to be fully human, which includes participating socially in the human community and having a family, and which is informed by the capacity of the eco-system. We have to make judgements here about what that is and be unafraid in making them – though judgements too are involved in the completely arbitrary choice of 60% of median incomes in the relative poverty definition, which for some reason is fetishised as an objective definition of poverty.

So what is thrift? First we have to understand that the ‘widely encouraged and approved’ standard of living in our present society is hugely influenced by the effects of advertising and the media obsession with the lifestyles of the elite; in a more equal, less competitive and less materialistic society the pressures to consume at a particular level will be much reduced. So the level may actually be rather lower than we are used to now. We envisage a more equal and less competitive society and as the findings of *The Spirit Level*⁴⁸ suggest, in a more equal society many of the things that make poverty intolerable, such as ill health, crime, and drug addiction, may be less prevalent, and one where there is a decent level of basic public services such as education, health and transport, and a reasonable level of accessible local cultural and political life. The money required over and above these basic public services will be enough to secure housing with heat and light, decent healthy food and clothing, and a basic level of access to electronic media such as telephone services,



broadcasting and the internet. People should be furnished with the capability to flourish, but with good judgement and thrift and not to strut any particular position as against their neighbours.

We have to recognise too that people's ability to flourish thriftily depends in part upon wealth as well as income, and perhaps more importantly on personal qualities, like education, adaptability, enterprise and independence. That is why in the transitional measures we suggest in the last section we place so much emphasis on education for resilience and independence.

So our system has to give people the right to a thrifty existence, and a definition of thrift that will not normally change, except perhaps in conditions of famine or disaster.

Supporting individuals

Apart from deciding the level of support that a welfare system should be designed to achieve, a second issue is whether it is to be designed to support individuals or households, and whether household circumstances are to be taken into account in making decisions.

Any particular benefit or payment can in theory be related either to an individual's circumstances or to the circumstances of the household to which they belong. In practice the present system is mixed. Child Benefit depends only on the existence of the child (i.e. it is individually based) but its level depends upon the child's position in the household (more is paid for the first child than subsequent children). Most contributory benefits are individually based (for example basic state pensions depend on

contribution records) but with additional elements for dependents in the same household (so there is a couples' rate for the pension where one of the couple has no or little contribution record).

There are good arguments for trying to avoid household-based payments. The essential point of principle is that the state should not be trying to favour particular types of living arrangements as a matter of family policy. Household-related systems normally implicitly assume a main (usually male) breadwinner within the household, and attempt to compensate for circumstances when that person either cannot work or is not there. As we pointed out above, the economy has now significantly changed, and most households in practice have more diverse sources of income. The more pragmatic point is that it is very difficult in practice for the state actually to know what people's living arrangements are. In particular this results in very intrusive, expensive and degrading enquiries into whether a single parent dependent on benefits, usually a woman, is being supported by a person with whom they may or may not be having a relationship, usually a man in employment. The mere existence of these rules causes people to inform upon each other and to tell lies to the welfare authorities; it potentially criminalises huge numbers of essentially decent citizens.

On the other hand individually based systems will tend to benefit larger households, since it is normally cheaper overall to share accommodation, particularly in respect of rent and energy costs. We think this should simply be accepted as part of public policy on environmental grounds. A large part of the demand for housing, and therefore for land for



housing, arises from changes in patterns of living so that more people are living alone. More creative responses to these changes, such as exploring co-housing as a welfare and housing option, could reduce this pressure as well as helping to reduce energy demand, as more people share spaces.

Thus, both so as to not intrude into the detailed arrangements within households, and also to support the dignity of each individual in their own right and not in relation to someone else, but also to give some encouragement to larger households, we favour a welfare system based on individuals, not households.

Citizens' Income and Individual Responsibility

So we envisage a system that will be individually based, and be designed to guarantee everybody's right to a basic standard of living. Such objectives are best met by a system of Citizens' Income paid to all, whose costs are at least initially retrieved from a system of progressive income taxation. We will not set out the details of such a system here, it has been done elsewhere in for example Lord 2003 or Murray 2008.⁴⁹ Such a Citizens' Income would:

- be independent of labour market participation
- be independent of relationship to other people and household status
- be set at a frugal level as discussed above
- have special rates for children and older people (see below) to reflect the normal life cycle

- include extra for those with disabilities
- not recognise unemployment as a reason for paying more to a person
- ignore nationality etc, using residence as the basic test in the long run for eligibility; and
- be funded by a tax on rents, where rents are conceived widely as all income that derives essentially from natural resources and so reflect each person's share of common natural resources.

Citizens' Income is a specific policy that will provide basic security, but better still would be to encourage people to meet as many as possible of their needs from their own work, what is sometimes referred to as 'self-provisioning'. Since the advent of the market economy in the 18th century, more and more areas of life have become subject to market forces, with activities such as childcare and food preparation being increasingly bought and sold. In a green economy, citizens would be less dependent on the sale of their labour to support their livelihoods. Much as the Czechs previously grew their vegetables on their *zahrady* – small garden plots with summer cabins where they spend long weekends during the growing season – and as our own ancestors expected to produce much of their food in kitchen gardens and on allotments, so green citizens would expect to meet part of their needs for basic foodstuffs from their own labours, thus radically reducing their need for monetary income.



6. Appropriate Support in a Changed Economy

Part of our argument throughout this paper has been that the need for an expensive and pervasive system of welfare is partly the result of a socially destructive and inherently unstable economy. So we are dividing our proposals into two sections. First, we provide a functional division of social security based on the origin of the need within a capitalist economy, and consider how these groups would fare in a green economy. Then we suggest some policies that can be implemented now, but recognise that we are in a period of transition and that some of the longer run policies may not always be relevant.

The current welfare system addresses the following main client groups:

- the cyclically unemployed;
- the structurally unemployed, that is those unemployed because of regional structural unemployment, for example the closure of heavy industries, or mismatch of skills;
- those who are unemployed because they will not accept the conditions the labour market imposes upon them, or who have health problems that preclude employment in a competitive labour market;
- those with serious disabilities;
- the young; and
- the old.

We deal with each of these groups in turn.

The cyclically unemployed

It is difficult to establish what this group costs the system at present, as compared to the structurally unemployed. It is not just a matter of adding up expenditure on Jobseekers' Allowance; passported benefits must also be included. Moreover, the costs vary with the economic cycle. At a very rough guess this group might normally cost around £5bn per annum.

We consider that this group might well be considerably reduced in size in a green economy. The objective of a green economy is dynamic equilibrium rather than economic growth.⁵⁰ The boom-and-bust cycle of capitalist economies results from the periodic tendency of the system to produce more than it can absorb and from the nature of the money-creation system. With a system that prioritises sufficiency rather than growth, this type of unemployment would be much less likely to arise.

In addition Citizen's income with its low withdrawal rates would make re-employment much more attractive, and a society with a more equal distribution of financial assets would cope better with short term unemployment.

The structurally unemployed

Once again, it is difficult to estimate what this group currently costs, and an estimate of about £5bn is little more than an order of magnitude.

We would envisage that any transition to a green economy cannot simply be left to the market. There would need to be considerable government intervention in terms both of regional



investment and of training to enable the transition. In the short run therefore this group may need to cost the system more, but as anyway necessary expenditure on industrial policy rather than as a welfare issue.

People of lesser employability

This group includes many of those currently on incapacity benefit, and many single parents, and perhaps costs about £20bn in the current system.

The fortunes of this group should be transformed by Citizens' Income and a labour market that is less competitive and more flexible for the worker. Many may well choose not to work in the money economy and live frugally, often adding much of value to society as a whole. In a green economy, with the stigma of being on benefits removed, such a choice will often be socially valued.

Those with serious disabilities

This group costs around £20bn at present, and is not going to disappear simply because the economy becomes sustainable. In a green welfare system they would receive Citizens Income, supplemented by needs related payments as at present. While labour market flexibility may help some, the main gain for most of this group will be the greater value society places on non-labour market activity.

The young

The total currently spent, including benefit expenditure, child benefits and the child elements of tax credits amounts to around £30bn. This would

be replaced by Citizens' Income paid in respect of each child at a rate much higher than the current Child Benefit. The size of the group is pretty much fixed (though may reduce a little if population policies are adopted), and overall expenditure levels are unlikely to change much. The main gains will be in the simplicity and transparency of the system.

Older people

Although the focus of political debate around social security spending is on the unemployed, and especially the long-term unemployed who can easily be categorised as 'undeserving', the largest category of spending on social security is pensions: as we have seen above as much as two-thirds of total benefit expenditure is taken by people over working age.⁵¹ This totals over £100bn in the existing system, together with around £40bn of tax and National Insurance relief on contributions. Because of the sheer size of this commitment, we develop our proposals here at greater length.

Existing policy depends on a single age of retirement. This is very insensitive to people's individual differences. Many people can and will want to go on working after 65 and can find jobs, often part time, that suit them. But for many others, especially those in heavy manual trades, 65 is already too old for them to be either able to do or to get the kind of jobs to which they are accustomed. And there are a significant number of those below the age of 65 who have stopped working, often because they can't cope with the rigours of a full-time job in a very competitive labour market, but who could and would like to do some gentler form of employment. Instead of this sudden cut-off what we need is



a gradual transition that allows people to make choices and protects those whose type of work is more physically demanding and so requires them to retire – or move to another sort of work – at a younger age.

Two policies might help deal with these problems. First is a far more flexible labour market for older people – flexible that is from the point of the employee, not the employer. This needs to go beyond the current non-discrimination laws and might take the form of imposing on employers a process of managed withdrawal, negotiated between employee and employer, and lasting perhaps ten years or longer.

Second, the state pension system needs to recognise that people need more money as they grow older and are less able to participate in the labour market. There is slight recognition for this already in the increasing income tax personal allowances for older pensioners, and in certain age-related concessions, for example on TV licences. But we might consider a much more radical option, with a state pension that begins at a relatively low level at 60 or 65, and which then gradually increases with each succeeding year. In the context of a Citizens' Income system, this would mean a relatively modest addition to the basic Citizens' Income from perhaps age 60, rising to maybe twice the basic level by around age 80.

This still does not provide any recognition of the special needs of manual workers; indeed it amounts to an enhanced subsidy⁵² to the wealthier part of the population who tends to live longer. One rough-and-ready way that class and lifestyle differences might be accommodated would be to delay paying the pension increases by an

amount that depends on the number of years spent in non-compulsory education. Thus typically a person with A-levels and a degree might find their increases begin 5 years later (2 years for the A levels, 3 years for the degree) than a person who leaves school at 16. This is crude, but having a single retirement age is even cruder. We should emphasise that it does not imply a need for 45 years of full time labour market employment.

Indeed, maybe the whole idea of retirement, and a division of the population into working age and above working age is wrong. In fact people's capacity and willingness to work changes gradually over a lifetime, and varies considerably from person to person. The idea of retirement at a particular age had no equivalent before the invention of a state pension paid at a particular age, and the introduction of occupational pension schemes that paid a pension at a particular point. The more elaborate and expensive of these schemes, the final salary schemes, which in practice were normally only available to the better off, had the aim of paying a pension that would effectively replace a salary after retirement once the additional expenses associated with working age (saving for a pension, paying a mortgage and the inevitable expenses of working like travel costs) were deducted. It is far from obvious that such generous schemes should have the state support in terms of tax and national insurance rebates on contributions that they have if the basic aim of welfare policy is to ensure that the state supports everyone to live at a newly defined basic level.

Similar remarks can be made about childhood: there is no single age at which dependence ends and independence begins. If the initial rate



at which child benefit is paid is different from Citizens' Income, there is a case for gradually changing that rate to the adult rate over a period of years. Thus we end up with a kind of universal Citizen's Income, which is paid at different rates at different ages, and where the profile may differ a little depending on the length of time spent in education.

Overall costs

We do not pretend here to provide a detailed costing; the significant structural changes we are proposing make such an exercise of little value. Moreover there are profound difficulties of comparison. Citizens' Income in particular is such a radical change it is hard to assess; clearly if the whole of Citizens' Income is counted as public expenditure the overall increase would be considerable, but to count it that way would be as perverse as to count the current income tax personal allowances as public expenditure in the sense that it is somehow tax foregone. But some elements in the system would offer significant cost savings:

- cyclical and structural unemployment would be much reduced;
- modest administrative savings would be made inasmuch as a universal payment based system is simpler to administer and much harder to cheat;
- the gradually increasing pension scheme discussed below could lead to considerable savings amongst younger pensioners; and
- easier access to the labour market that arose from a genuine flexibility and a Citizens Income would reduce

support required for those with marginal access to the labour market and those with disabilities.

We should emphasise here that we do not consider that these proposals should stand or fall by whether they make savings. As we have made clear above, we regard welfare as essentially a moral commitment, and that society should be prepared to pay whatever it takes to ensure that no one, independent of labour market participation, is forced to live below a newly defined, and thrifty, level of poverty.

How welfare is delivered

Finally there is a set of issues about how welfare is provided. Should there be local variation in the level of Citizens' Income for example? This might reflect the fact that life is easier in some areas than others, especially if we take self-provisioning into account, or the cost of transport in rural areas. Or do we want as a matter of public policy for people to move to the easier areas? Is the money raised locally or centrally? If Citizens' Income is nationally uniform there is actually very little left for the local welfare system to do, beyond operating the more discretionary elements, such as payments to those with disabilities, and providing, through the wider community, the non-financial elements of welfare.

Some transitional policies

It is always easiest when making policy proposals to begin by arguing that you would not choose to start from where we are. As we have argued in the preceding section, green economics suggests a wholesale rethink of the structure and aim of the economy, and



so the demand for social security of various types would change. For this reason, it is clear that the whole system of what we are calling 'green welfare' cannot be put into place until the structure of the economy has been altered, most notably in the direction of greater equality. But equally welfare measures can play a part in effecting that transformation, for example by increasing equality. We suggest here some transitional policies that could be introduced now.

The changes to household structure since 1945 are well advanced, and moves towards an individual based system could begin now. For example a big increase in child benefit could be introduced, so Job Seekers Allowance and Tax Credits would no longer have a child element. We would oppose the ending of universal access to child benefit (this would be implicit in the Citizens' Income proposal) on the basis that the universal principle is a necessary underpinning for the Citizens' Income scheme that we would seek to introduce.

Second, the education system could do far more to train for independence and greater self-sufficiency. The new paradigm requires us all to be useful, for example growing our own food. 'Transitional investment' in training for the new more self-reliant economy could begin now, such as in methods of home insulation, food growing, basic mending skills and so on. Training in the skills of actually cooking food might replace 'food technology' in schools and mending cars or repairing houses might be introduced under the curriculum currently labelled 'resistant materials.'

While this may seem far from the present agenda, we are beginning to see hints from one part of the UK that

the need to facilitate more self-reliant citizens has already begun. Welsh planning policy is beginning to support the development of sustainable livelihoods as evidenced by planning advice note TAN6 from the Wales Assembly Government.⁵³ It includes a section called 'One Planet Developments', which allows exemption from restrictions on planning limitations in the countryside for those who 'over a reasonable length of time (no more than 5 years), provide for the minimum needs of the inhabitants' in terms of income, food, energy and waste assimilation.'

Third, we could introduce a gradually escalating Citizens' Pension from age 60 straightaway. The abolition of tax and NI reliefs for private pensions and the transfer of that spending to support a Citizens' Pension is entirely possible.⁵⁴

Fourth some aspects of localisation, a key design principle for the green economy, could be undertaken immediately. For example disability benefits might be better designed and delivered locally via social services or health services, and be better integrated with the services provided locally now. The entire budget could be delegated to local authorities who could decide locally how to spend it.

Finally, we could begin now a move from a system designed to prevent poverty to a system designed to promote thrift, with a debate leading to a definition of what constitutes an environmentally decent standard of living. This work was begun by the Sustainable Development Commission in its report *Prosperity without Growth* and its attempts to measure, in energy rather than money terms, what sort of lifestyle was environmentally defensible. This should be extended to



enable the measurement of the numbers of people living below this standard and analysis of the ways they fall short. Such a change of attitude could itself lead to the wider re-appraisal we need to move to a green economy.



Annex 1

| | 2011/12 forecast £m | percentage |
|--|---------------------------|------------|
| State Pension | 55880 | 36.7% |
| SERPS and S2P | 13849 | 9.1% |
| Jobseekers Allowance And Predecessors | 4561 | 3.0% |
| Incapacity Benefit, Employment And Support Allowance | 6511 | 4.3% |
| Attendance Allowance | 5268 | 3.5% |
| Disability Living Allowance | 11983 | 7.9% |
| Pension Credit and predecessors | 8334 | 5.5% |
| Income Support | 7609 | 5.0% |
| Housing Benefit | 21078 | 13.8% |
| Council Tax Benefit and predecessors | 4837 | 3.2% |
| Other Benefit Expenditure | 12414 | 8.1% |
| Total GB Expenditure | 152324 | 100.0% |



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Endnotes

- ¹ Department for Work and Pensions, 2010b.
- ² All three known to the authors, but the names have been changed.
- ³ Slack 1988:19.
- ⁴ Slack 1988:126.
- ⁵ Polyani 1944:99ff.
- ⁶ Polyani 1944:106.
- ⁷ Weinbren 2010.
- ⁸ Office for National Statistics 2009a.
- ⁹ Department for Work and Pensions 2010b:8.
- ¹⁰ David Cameron, quoted on BBC news at <http://www.bbc.co.uk/news/uk-10922261> (accessed 22/06/2011) said that benefit fraud amounted to £1.5Bn, out of total benefit expenditure of £148bn.
- ¹¹ Office for National Statistics 2010. Summary Table: Life expectancy at birth and selected ages, UK and constituent countries. Downloaded from <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14459> (accessed on 2/06/2011.)
- ¹² see <http://www.statistics.gov.uk/CCI/nugget.asp?ID=2159&Pos=1&ColRank=2&Rank=120> (accessed 25/06/2011.)
- ¹³ Office for National Statistics 2009b.
- ¹⁴ Office for National Statistics 2009a.
- ¹⁵ Department for Work and Pensions 2010a: Table 4.
- ¹⁶ Department for Work and Pensions 2010a: Table 1.
- ¹⁷ Author's own calculation. Benefit expenditure on those above working age is currently about £100bn (DWP 2010a: Table 1) out of a GDP of roughly £1500bn, or 6.7%. 'other things being equal' means individual amounts spent on benefit will remain the same proportion of GDP. Then the total spent as a proportion of GDP will increase simple as the population increases.
- ¹⁸ See the Green Paper published on 4 April 2011 at <http://www.dwp.gov.uk/docs/state-pension-21st-century.pdf> (accessed 23/06/2011.)
- ¹⁹ See http://www.direct.gov.uk/en/N11/Newsroom/SpendingReview/DG_192159 (accessed 18 February 2011.)
- ²⁰ NAPF 2011 annual report published 9 March 2011 available at http://www.napf.co.uk/PressCentre/NAPFcomment/0041_Staff_shut_out_of_their_final_salary_pensions_at_record_rate.aspx (accessed 20 March 2011.)
- ²¹ Hutton 2011: 4.
- ²² See for example <http://www.cipp.org.uk/en/the-pensions-faculty/news.cfm/DWP%20auto%20enrolment/> (accessed 23/06/2011.)
- ²³ HMRC 2010: Table 1.5.
- ²⁴ Department for Work and Pensions 2010b:22.
- ²⁵ Glyn 2006.
- ²⁶ Wilkinson and Pickett 2009.
- ²⁷ Paxton 2002:3.



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- ²⁸ 1. The Gini coefficient compares the actual distribution of incomes in a country with a perfectly equal distribution to create a ratio that can range between 0 and 1, where 0 represents complete equality and 1 complete inequality.
- ²⁹ Daffin 2009:xxi.
- ³⁰ Blanchflower and Oswald 1998.
- ³¹ <http://www.lloydsbankinggroup.com/media/pdfs/halifax/2010/88.10.pdf> (accessed 23/06/2011).
- ³² The Transition Movement is a movement of towns and other local areas in the UK and elsewhere to prepare their areas for life without access to cheap fossil fuels. One aspect is the need to remember certain traditional skills, hence 'The Great Reskilling.' You can find more details at <http://www.transitionnetwork.org/> (accessed 25/06/2011.).
- ³³ Infant mortality in the US is 10.4 per thousand, but 5.0 for Japan. See <http://www.huppi.com/kangaroo/L-healthcare.htm> (accessed 25/06/2011.).
- ³⁴ Bambra 2007.
- ³⁵ Cato 2009 or O'Neill 2010.
- ³⁶ Wilkinson and Pickett, 2009.
- ³⁷ Jackson 2009.
- ³⁸ Henderson 1988.
- ³⁹ Milani: 2000.
- ⁴⁰ See for example Cato: 2009.
- ⁴¹ For an exposition of this argument see Cohen 1995.
- ⁴² Adema 1997.
- ⁴³ Townsend 1979: 31.
- ⁴⁴ Smith, 1776: 351-2.
- ⁴⁵ <http://www.cpag.org.uk/povertyfacts/index.htm> (accessed 23/06/2011).
- ⁴⁶ Equivalised means that the figures assume that every household consists of just two adults with no children. There are many complicated adjustments to deal with households that have a different composition.
- ⁴⁷ Department of Work and Pensions 2011, Fig 2.1.
- ⁴⁸ Wilkinson and Pickett: 2009.
- ⁴⁹ Or see for example the Citizen's Income Trust website at <http://www.citizensincome.org/> (accessed 23/06/2011).
- ⁵⁰ See for example the econometric work in Victor 2008.
- ⁵¹ And they accounted for only half of all welfare expenditure as recently as 1995/96: (Department of Work and Pensions, 2010, Table 1).
- ⁵² Enhanced because there is already such a subsidy in the flat rate pension. The long lived middle classes already do better out of the basic state pension than do the shorter lived working class.
- ⁵³ Planning for Sustainable Rural Communities, Technical Advice Note 6, July 2010: <http://wales.gov.uk/docs/desh/policy/100722tan6en.pdf>
- ⁵⁴ For an illustrative calculation see the Green Party 2010 General Election manifesto, page 13. Available at http://www.greenparty.org.uk/assets/files/resources/Manifesto_web_file.pdf.

