After the pandemic

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Covid-19 and social security reform
In response to the Covid-19 emergency, our nation’s rallying cry once again is: “We are all in it together.” Each Thursday evening we clap our love and gratitude for health professionals and carers in our universal health service – the closest we get to national worship. The support for each other in local communities and capacity for mutual support give meaning to social solidarity. The same gratitude is also due for our social security system – the front line for the care and support of our neighbours’ financial security, keeping them safe, secure and fed. But is this how people feel? And if not, why not?

The signs are good. To date, we British have lent approval and have delivered few brickbats in response to the biggest spending spree since wartime to ensure the economic security of our citizens. At once we have Scandinavian-style income replacement at 80 per cent of previous earnings, support for the self-employed and improved social protection for those getting universal credit – our means-tested safety net. Evidently, our safety net could not be trusted as a secure landing ground for ordinary people thrown out of their day jobs and into COVID lockdown. Which begs the question: Why exactly did we think it was acceptable for before the crisis? And how did we get here?

“Evidently, our safety net [universal credit] could not be trusted as a secure landing ground for ordinary people thrown out of their day jobs and into COVID lockdown”

Many of us have been working on a renewed vision for social security. At Child Poverty Action Group, we have been talking about creating ‘secure futures for children and families’. We want a blueprint for renewal,
learning from history as well as imagining what is needed in future. Our principles are here.¹

No one expected that a new vision for social security could be created overnight. But a radically different system has emerged, and very quickly. As Beveridge said in his report back in 1942: “A revolutionary moment in the world’s history is a time for revolutions, not for patching.”² Beveridge aimed to “make want under any circumstances unnecessary”,³ and his blueprint went further than benefits to include as prerequisites full employment, the establishment of a national health service and family allowances. The same breadth of vision is required today.

A BEVERIDGE MOMENT?

In the UK we missed the opportunity to invest in decently sized earnings-related payments, unlike other European countries including France, Germany and many Scandinavian countries.⁴ The last of these still top league tables on poverty prevention and the wellbeing of children and citizens. I have argued before that it would take a seismic, ambitious moment like the one Beveridge took advantage of to help us get there.⁵ Is this where we are today? We certainly should not hesitate any more about setting out the direction of travel for a social security system that will prevent and end child poverty.

The government’s own response to the pandemic teaches us two lessons: we need to hold people close to the labour market and we need to make support more universal – drawing everyone together. When people are sick or unemployed, we should not hurl them onto poverty-level benefits (with a single person until recently getting £73 a week). This has instantly been found wanting, with the government adding £20 a week to universal credit and working tax credits in light of the COVID emergency. Paying 80 per cent of previous earnings while providing employment support means that people are able to return to the labour market without significant scarring

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¹ Child Poverty Action Group (no date) ‘Secure futures for children and families’, CPAG website. https://cpag.org.uk/policy-and-campaigns/secure-futures-children-and-families
² Beveridge W (1942) Social Insurance and Allied Services, Cm 6404, HMSO, p 6, para 7
³ Beveridge W (1942) Social Insurance and Allied Services, Cm 6404, HMSO, p 9, para 17
⁴ Garnham A (2019) ‘Social security – where have we been and where are we going? If universal credit is the answer, what on earth was the question?’, article for Secure Futures. CPAG website. https://cpag.org.uk/sites/default/files/files/policy/post/Social%20security%20%E2%80%93%20where%20have%20been%20and%20where%20are%20%20going.pdf
⁵ Ibid
by poverty. Paid parental leave set at a proportion of previous earnings would serve the same purpose for parents needing time out for a variety of reasons, including divorce.

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Having a benefit system that is generous enough to protect people from financial shocks is of critical importance. If our benefit system functioned better, for example through a combination of universal benefits, social insurance benefits in line with wages and generous ‘light touch’ means-tested benefits, there might not have been a need for various job retention schemes to be established in response to the COVID crisis – a properly functioning social security system could have stepped in and provided a genuine safety net to people when they needed it. It would also have helped act as an automatic stabiliser, helping to lessen the devastating impact of the inevitable recession. And public services can no longer be funded on a ‘just in time’ basis – people’s lives are too important for that.

THE IMPORTANCE OF UNIVERSALISM

Means-tested benefits are less effective than universal benefits at preventing and ending poverty. Their failure is not just about generosity – they also fail due to complexity, low take-up, stigma and social control. But we have ended up with an almost entirely means-tested system. Non-means-tested elements need to be restored.

You could make means-tested benefits such as universal credit more generous, but that only gets you so far. We need to move away from stigmatising initiatives targeting the poorest sections of society, and pursue models that bring children and families together and help to build a more equal society – one in which we are truly all in it together.

Most developed welfare states, including our own, contain a mixture of universal and targeted benefits and services, but countries with more

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6 Where means-testing is less stringent and there is more room for income to rise and fall without affecting the award – for example, tax credits or pension credit

7 Garnham A (2019) ‘The problem with means-testing’, article for Secure Futures, CPAG website. https://cpag.org.uk/sites/default/files/files/policypost/The%20problem%20with%20means-testing%20-%20FINAL.pdf
generous universal and contributory elements seem to have lower child poverty and greater wellbeing overall.8 Some argue that the level of benefits for children is more important than their structure.9 It can be more efficient to put money into generous means-tested benefits, but there are other reasons why universal support is needed. For example, child benefit and disability living allowance exist to meet the additional costs of children and disability respectively. These costs arise regardless of parental income or employment status and are not otherwise recognised in the tax system. These costs make the case for a kind of universal basic income for children stronger than for any other type of basic income.

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Child benefit helps families meet the costs of raising children, is spent on children and is administered in a straightforward way with high levels of take-up. It supports families to stay out of poverty, preventing those above the poverty line from falling into it. Our work in food banks has shown that child benefit is often the only income families have in hand while waiting for universal credit to be assessed and during the five-week (and frequently longer) wait before they receive their first payment. In times of crisis, such as Covid-19, it provides a small, unchanging financial cushion. By contrast, universal credit assessments bring you face to face with the poverty trap each month – the greater certainty and security of tax credits was preferred by claimants we spoke to in Tower Hamlets.10

Politicians who care about the future of our welfare state should ensure that everyone benefits from the social security system on some level. Universal benefits and services help ensure that everyone has a stake in and is invested in the system. This helps drive up quality, as well as ensuring a

8 This was originally called the ‘paradox of redistribution’; see Korpi W and Palme J (1998) ‘The paradox of redistribution and strategies of equality: welfare state institutions, inequality and poverty, in the Western countries’, American Sociological Review 63(5): 661–689. See also Bennett F and Lister R (2020) ‘Universalism: shifting the balance’ in Tucker J (ed) 2020 Vision: Ending child poverty for good, CPAG
9 Bradshaw J (2020) Child Poverty and Child Benefits in Europe, briefing paper for Secure Futures, CPAG
10 Woodhuysen A (2019) Worse Off: The impact of universal credit on families in Tower Hamlets, CPAG. https://cpag.org.uk/policy-and-campaigns/report/worse-impact-universal-credit-families-tower-hamlets
certain level of public trust and support. Interestingly, the two-child limit was not applied to child benefit.

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There is a growing appetite for universal approaches, including universal basic income. Not surprisingly, it is seen as the antidote to insecure employment and the punitive means-tested approach. It could not replace the whole social security system, however, as this would mean less generous provision for the poorest sections of society and would be extremely expensive. However, a partial basic income to act as a platform on which to build earnings and other income, perhaps paid for by turning the personal tax allowance into a credit, is an idea well worth discussing. If the amounts paid in child benefit as part of this were high enough, it could make significant inroads into child poverty.

There are other key services for families that would function far better if they were funded on a supply-side basis and delivered free at the point of use. These include universal childcare, including fully comprehensive extended schools provision from 8am to 6pm and throughout school holidays, and universal free school meals. They would pay for themselves over and again through more parents being able to work, children receiving enriching activities (that their better-off peers take for granted and that can be shown to increase educational attainment), and the end of means-tested stigma in the middle of the universal school day, to be replaced by a shared experience for all.

WILL THE PANDEMIC CHANGE PUBLIC OPINION?
Public trust in and support for the benefit system has not been good in the UK. We need that support for lasting change. The government (and not just this one) has actively undermined the concept that the system is for ‘everyone’ – instead promoting a narrative of strivers and skivers. It’s a narrative that will not wash in the current climate, where hundreds of

11 See Harrop A (2018) For Us All: Redesigning social security for the 2020s, Fabian Society; Stirling A (2019) Nothing Personal: Replacing the personal tax allowance with a weekly national allowance, New Economics Foundation; and publications by Compass – see for example Lansley S (2020) ‘The case for a universal basic income is stronger than ever’, Prospect, April
thousands if not millions face unemployment and financial hardship as a result of the COVID pandemic.

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The effects of neglecting prevention and security will soon become clear. For those falling through the intended economic cushion, it remains to be seen how they will manage on universal credit. We don’t yet know whether the huge increase in claims following the COVID outbreak in the UK (1.4 million new claims for universal credit at the time of writing) will be manageable for the Department for Work and Pensions (DWP). The system is being stress-tested – and there is a big difference between 1.4 million people ‘making a successful claim’ for universal credit as announced by the DWP, and the prospect of actually getting any money. Whatever happens, further reform of universal credit12 will be essential.

PAYING FOR IT ALL

There are already agonised cries about how all this emergency support will be paid for. What we absolutely cannot do is to pay it down on the backs of the poorest families as we did under the deficit reduction strategy after 2010. Besides anything else, these low-paid workers and families – because these are the people who took the biggest hit – have now been seen to be the backbone of our country. These are the nurses, carers, cleaners, drivers, postal workers, utility workers and retail workers who have held the country and economy together in the face of great personal risk of infection.

We must finally understand who many of the British people claiming benefits are – they are low-paid workers. Seven in 10 children experiencing poverty live with working parents. They are rarely out of work for long, leaving out-of-work benefits on average within six to nine months. They have just worked, are working, or are just about to work. This is the nature of our labour market. Poor and low-income British people work, pay tax

12 Tucker J (2019) Universal Credit: What needs to change to reduce child poverty and make it fit for families? CPAG. https://cpag.org.uk/sites/default/files/files/policypost/Universal%20credit%20-%20what%20needs%20to%20change_0.pdf
and are contributors like everybody else. The attempt to suggest otherwise – that there is a class that pays and another that takes – has been a big lie. There have of course been significant increases since 2010 in the national minimum wage. But, in addition to decent wages, we need a social security system that supports this work, keeps up with the cost of living and provides income security.

“Seven in 10 children experiencing poverty live with working parents”

It is astonishing how readily reforms are made to social security: witness the move to more means-testing from the 1980s onwards. The same reforming zeal has not been applied to reform of taxation – and there are many options at the chancellor’s disposal for raising revenue. Indeed, alongside the cuts to social security in the past decade, significant amounts have been spent raising the personal tax allowance, and yet around 80 per cent of the gains from this policy go to the richest half of the income distribution. And no satisfactory explanation has yet been offered for why deficit reduction after 2010 consisted of 85 per cent cuts and only 15 per cent tax rises.

So we need to reform taxation. There are several fruitful lines of inquiry including emergency taxes for the highest paid and big business to help after the crisis, and asking the wealthy to contribute to a national recovery fund.

RISING CHILD POVERTY

The Covid-19 pandemic could not have come at a worse time. Child poverty is rising after 10 years in which we have seen more than 50 cuts to benefits, which amount to £36 billion less being spent this year on social security, rising to £40 billion less per year by 2023. The chant “We are all in it together” took on a hollow ring after 2010 for anyone on the receiving end of an increasingly mean and punitive social security system.

13 Author’s calculations using UKMOD version A1.0+
14 There are many more ideas where this came from – see for example Bradshaw J (2019) Let’s Talk about Tax: How the tax system works and how to change it, CPAG. https://cpag.org.uk/shop/cpag-titles/lets-talk-about-tax; and Buckle A (2020 forthcoming) ‘Who pays for the recovery after COVID-19’, Poverty Journal
15 For a full account of progress since the commitment to end child poverty in 20 years, see Tucker J (ed) 2020 Vision: Ending child poverty for good, CPAG. https://cpag.org.uk/shop/cpag-titles/2020-vision-ending-child-poverty-good
And now, during the Covid-19 pandemic, we are being called upon to chant it once again.

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We can’t allow cuts to happen again. We must build back better. We need more universalism of the type we are celebrating today. We can no longer say it can’t be done. And for those tempted to say we can’t afford it, now is the time to make the changes to how we contribute to make sure we are in a better position in future to protect all our citizens in time of need. We need a more prepared, preventative and universal approach to our social infrastructure.

After the second world war, people voted for something different. People had made enormous sacrifices and were not prepared to return to the financial suffering of the inter-war years, specifically high unemployment, low wages and unemployment benefit cuts. If people feel anything like the same after this pandemic, there could be hope for real change.

CONCLUSION

We don’t need a solely universal system, but a mixed one where universal benefits play a key part. If this had been in place when the COVID pandemic took hold, the ability of the system to step in and support people financially would have been much improved, and the response from government may have looked very different.

Our existing social security system has been stress-tested and found wanting. The government discovered that it could not possibly expect people out of work due to the pandemic to survive on the miserable meanness of universal credit. It had to boost levels of benefit and in addition create a whole new social security system for those potentially losing their jobs or businesses, set at 80 per cent of previous earnings.

“The government discovered that it could not possibly expect people out of work due to the pandemic to survive on the miserable meanness of universal credit”
This is hugely welcome. And the judgement that it is unreasonable to expect people facing economic ruin to survive on next to nothing is correct. Its corollary is that it is not a reasonable expectation at any time. The UK has never set a standard below which people’s incomes should fall based on any objective test of what people need to live on. Instead it has been subject to rises or cuts determined by other objectives. Shouldn’t we today set a standard based on what is now considered acceptable – 80 per cent of previous earnings?

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