Time to Choose Justice
by Peter Robinson

Conclusions

1. Centre-left governments succeed when they show competence in the management of the economy and when they use periods of prosperity to promote real social gains.

2. We should be aiming to secure a series of outcomes that matches the best in Europe - on poverty and the income distribution, employment, the outcomes of the public services in terms of health and educational attainment, and sustainable development.

3. It is a New Labour axiom that social justice and economic success must go together. The evidence suggests otherwise: social justice and economic success in a modern industrial economy are largely independent of one another and it is up to each nation to choose how much social justice to pursue alongside any degree of economic success.

4. A progressive government should seek to be radically ambitious in the outcomes it pursues and radically pragmatic in the policy instruments it uses.

5. Labour’s success in increasing employment while implementing a set of measures designed to promote ‘fairness at work’ has helped lay to rest neo-liberal claims that higher levels of employment necessarily demand lower levels of regulation.

6. The character of this Government will be determined by the summer of 2002. This is when the next spending review with its associated Public Service Agreement targets will be published.

Telling it the way it is

7. Many of Labour’s objectives are now explicitly or implicitly defined in terms of equality of outcomes. Labour’s rhetoric, still focussed on meritocracy and the mantra of ‘opportunity for all’ has failed to keep up. It is far from clear that Whitehall has fully understood the implications of the Government’s commitments on poverty.

8. The implication of setting a relative poverty target is that the living standards of those on low incomes should be raised and then increased at least in line with the general population, thus squeezing inequality from the bottom end. As raising the incomes of the poorest in this way needs at least in part to be paid for by taxes that will be levied primarily on those on above average incomes there are clear implications for squeezing inequality from the higher end too.

9. The bulk of the reduction in child poverty over Labour’s first term was the result of redistribution through measures such as increases in income support for parents. Despite the language of work incentives, the main impact of the Working Families Tax Credit has been as a straightforward measure of redistribution.

10. The impact of taxes and benefits in the 1990s reduced the relative poverty rate by two-thirds in Denmark but only two-fifths in the UK. As a result Denmark had a poverty rate after transfers about half that in the UK.
11. Given that tackling child poverty and tackling pensioner poverty both seem to imply a significant increase in expenditure on social security as a proportion of GDP, the rhetoric that social security is ‘spending on failure’ should be dropped.

12. It seems certain that the Pension Credit along with the more generous Minimum Income Guarantee will require a reversal of the Government’s stated aim of reducing the share of public expenditure on pensions as a proportion of GDP.

13. The Government’s achievement in reducing child poverty by over a quarter by 2001-02 will come at a revenue cost equal to about 0.6 per cent of GDP. One could infer from this that eliminating child poverty entirely may cost around another 1.5 per cent of GDP. In reality it is likely to cost more than this as current policies have lifted out of poverty those closest to the poverty line.

14. Even after the current spending round, it would take another seven years of health spending increases at the rate achieved over the period 2001-04 to match the 1997 EU average. The Prime Minister’s commitment to close the gap by the end of the current Parliament looks almost impossible to achieve.

15. The patterns of spending necessary to deliver the key outcomes that the Government wishes to prioritise may not match what the electorate appears to want. A contribution to improving health outcomes in the UK might be secured as much by spending more on housing or benefits rather than simply spending more money on the NHS.

16. The Labour Government has not yet fully challenged the situation in which the UK has the highest levels of private consumption expenditure in the EU alongside a deteriorating public service infrastructure – a combination of private affluence and public squalor.

17. Pressures from the international economy have not led to the long-feared bidding down of tax rates to attract investment. In particular there is no evidence that tax competition has reduced the corporate tax take, which has remained broadly stable over the past three decades in the OECD.

18. We have little idea whether we can find the instruments to close the productivity gap. It would be highly imprudent to bank on being able to make a significant difference to productivity growth rates over the next few years.

19. It is often argued by ministers that increasing education and skill levels is the key to growth in productivity. But if skills and productivity go together in this way, we face the problem of explaining why Sweden, for example, appears to be a ‘high skill-low productivity’ economy.

Routes to social justice

20. The centre-left should be arguing for higher levels of public spending when necessary as a means to an end, when securing certain outcomes clearly requires higher levels of expenditure. Rather than simplistic spending comparisons with other countries, we need to ask much more sophisticated questions about what outcomes in other countries do we want to match.

21. As it is employment rather than affluence than is most strongly associated with ‘happiness’, reducing joblessness should have a higher priority than increasing economic growth.
22. After 2004 further sustained increases in public spending will need to be financed by tax increases or the Government will lose its reputation for prudence.

23. Whatever the respective contributions of the work-based route and straightforward redistribution, it is clear that the elimination of child poverty will require a very large increase in employment. An extra 1.5 million jobs would be required if all parents who could work did. Significant inroads into economic inactivity in order to reduce child poverty would require an increase in the employment rate to at least 80 per cent and probably higher.

24. The goal of ‘work for those who can and security for those who cannot’ requires that disabled households should be guaranteed an income which surpasses the relative poverty line even if no-one in the household is in a position to undertake paid work outside the household.

25. A reappraisal is required of the level and not just the method of indexation of all benefits. So far this has happened only for pensioners through the MIG. One way for a Labour Government to signal its progressive intentions explicitly – and avoid charges of stealth taxes - would be to index tax allowances to inflation while indexing benefits to earnings.

26. The Government needs to develop a regional policy focussed on narrowing regional disparities in GDP per head and local disparities in employment. In contrast the Public Service Agreement target that the two key Departments - the DTI and what was the DETR - have signed up to is compatible with the already more prosperous regions improving their performance more than the less prosperous regions and regional disparities widening further.

27. The ‘productivity gap’ between the South East and North East in 1999 was only one-third of the size of the gap in income per head. The DTI has deliberately steered one of the few instruments of regional policy that it has, Regional Selective Assistance, away from job creation as the prime objective towards assisting investments promising to deliver higher productivity. Yet, what the people of the North East want is jobs.

28. The Government will have to address the distribution of public spending across the UK and across English local authorities, a policy agenda that by definition will result in relative winners as well as relative losers.

29. To signal its radical intentions in relation to sustainability the Government should give less emphasis to its target for closing the labour productivity gap in favour of a heightened emphasis on a target for closing the resource productivity gap.

A new agenda

30. What would a radical agenda to turn Britain into one of Europe’s most progressive social democracies look like? In terms of specific goals for economic and social policy it would consist of:

- A commitment to the best record in Europe on child poverty, pensioner poverty and poverty amongst disabled households.

- A commitment to full employment defined with specific targets and aimed at giving the UK the highest employment rates in Europe within a decade.
• A commitment to the best outcomes from public services defined in terms of overall health outcomes and educational attainment and in terms of narrowing inequalities in outcomes.

• A commitment to making the UK the best country in Europe in terms of sustainable development with specific targets for improving resource productivity.

• A commitment to narrowing regional disparities in prosperity to make the UK the most equal country in the EU on this basis.