



## POTENTIAL ALIGNMENT BETWEEN TONY ATKINSON'S PROPOSALS FROM *INEQUALITY: WHAT CAN BE DONE?* AND THE SURF MANIFESTO

Anthony Atkinson is an eminent economist focusing on issues of social justice and public policy based at Nuffield College, Oxford. His new book, *Inequality: What Can Be Done?*, puts forward and critiques 15 proposals for tackling the unequal distribution of wealth and resources. He will be the special guest at the SURF 'Food For Thought' dinner on Monday 24<sup>th</sup> of August and will also be speaking at the SURF Annual Conference the following day.

Ahead of the 'Food For Thought' event and the Annual Conference, this paper examines some areas of overlap between the 15 Proposals from *Inequality* and the 18 Proposals from SURF's manifesto (see appendices). It begins with a summary of Atkinson's proposed 'Participation Income' and a brief discussion of the role of technology in inequality. The key overlapping themes of fairness in decision making, employment and fair pay are then discussed.

Although SURF's focus is naturally more local and specific to regeneration than Atkinson's, there are several areas of overlap between the recommendations under the 'Tackling Poverty and Inequality' section in the SURF manifesto and Proposals 1-4 from *Inequality*. Several of Atkinson's proposals represent radical alternatives to the established system but there is a shared focus in the SURF manifesto and *Inequality* on the wider causes of inequality and the importance of government and public sector decisions in influencing the direction of economic growth and change.

***'It is my belief that the rise in inequality can in many cases be traced directly or indirectly to changes in the balance of power' (Atkinson, *Inequality*: 82-83).***

**Inequality Proposal 13: A participation income should be introduced at a national level, complementing existing social protection, with the prospect of an EU-wide child basic income.**

Proposal 13 does not generally relate to the SURF manifesto but is outlined below as it introduces the concept of ‘Participation Income’

Atkinson’s ‘Participation Income’ is a development and adaptation of a Basic Income or Citizen’s Income. In the most common version, Citizen’s Income is paid on an individual basis and is not related to labour-market status or conditional on social-security contributions. It is not related to income (although all income is taxed under the personal income tax) and would replace all existing social transfers.

Atkinson’s Participation Income, differs from Citizen’s Income in two main respects. Firstly, it would complement existing social transfers rather than replacing them. It would be paid at the same rate for all adults but take into account disability or other special circumstances. Participation Income would also replace all personal tax allowances.

Secondly, Atkinson proposes a benefit based not on citizenship but on ‘participation’, defined broadly as making a social contribution including waged employment, self-employment, education, training, care work and voluntary work. The definition would fit with changing patterns of employment and allow for people with a ‘portfolio’ of work, taking into account the range of activities in which a person is engaged. In this respect, Participation Income is related to SURF Recommendation 14 (facilitating greater employer-supported volunteering by compensating workers for time spent actively supporting their community) in that both recognise the importance of volunteering as a part of employment rather than something ‘outside’ of formal employment.

**Atkinson’s Proposal 1: The direction of technological change should be an explicit concern of policy-makers, encouraging innovation in a form that increases the employability of workers and emphasises the human dimension of service provision.**

**SURF Recommendation 10: Invest in a regeneration-specific ‘Big Data’ research project and explore opportunities to connect it with existing fields of investigation; consider how the outcomes of such a project can be used as a basis for improved quality and ground breaking innovation in community regeneration initiatives in Scotland.**

Atkinson discusses the impact of globalisation and technology on the demand for skilled jobs. He describes the benefits of technological advances but goes on to emphasise the importance of social interaction in service provision. Using the example of driverless versus traditional taxis, Atkinson highlights the value of local knowledge. He describes the taxi driver as supplying a joint product: a trip from point A to point B and a summary of local opinion, (although customers may not want this summary). Atkinson also notes the impact of austerity on decisions between investing in technology or investing in skilled workers and the potential loss of the human element in many local services such as health care and care of the elderly.

The SURF manifesto also highlights the influence of technology but presents this as an opportunity to invest a ‘Big Data’ project that combines technology and place-specific knowledge.

**Atkinson's Proposal 2:** Public policy should aim at a proper balance of power among stakeholders, and to this end should

(a) introduce an explicitly distributional dimension into competition policy;

(b) ensure a legal framework that allows trade unions to represent workers on level terms; and

(c) establish, where it does not already exist, a Social and Economic Council involving the social partners and other nongovernmental bodies.

**SURF Recommendation 9:** Enhancing active support for community led regeneration, social enterprises and cultural organisations, whilst recognising that they alone cannot tackle all physical, social and economic challenges in disadvantaged places.

**SURF Recommendation 17:** Supporting Local Authorities to undertake Fairness Audits prior to implementing any public spending reductions

*Inequality* and the SURF Manifesto share a focus on fairness and the importance of the balance of power in addressing inequality. Atkinson describes the balance of power as being weighted against consumers and workers and outlines how power could be transferred towards consumers and trade unions. He proposes a Social and Economic Council that would be able to report to Parliament on issues including labour market legislation, business regulation and the determination of the minimum wage.

The SURF manifesto highlights the potential of engaging people in regeneration and master-planning processes but also recognises that sustained underinvestment and a lack of basic resources in many disadvantaged communities work against community cohesion and collaboration with partner organisations. SURF argue that while the devolution of responsibility to local organisations is generally supported as a way of accessing local knowledge, it is not a cure-all for disadvantaged communities. The effectiveness of community organisations can be hampered by a lack of resources or even represent an abdication from responsibilities by public sector organisations. In this way, the SURF manifesto shares Atkinson's view that inequality is best addressed by a balance of power, in the case of regeneration between communities and the public sector.

The continuing importance of policy and large-scale regeneration initiatives alongside community groups is also noted in relation to Proposal 17 of the SURF manifesto. SURF argue that the positive impacts of local projects and investments are easily overwhelmed by broader policies or economic changes and that Local Authorities should carry out 'Fairness Audits' to assess the impact of budget cuts or policy changes at the local level.

**Atkinson's Proposal 3:** The government should adopt an explicit target for preventing and reducing unemployment and underpin this ambition by offering guaranteed public employment at the minimum wage to those who seek it.

**SURF Recommendation 13:** Investing in direct job creation in areas of chronic employment market failure.

Atkinson notes the rise of 'non-standard' employment (zero-hour contracts, unpaid internships, second and third jobs) and the implications of this for the notion of employment as a route out of poverty. This ties in to the manifesto's section on Work, Pay and Participation, particularly the point that more than half (52% of adults) of those in poverty live in a household with at least one adult in employment. Like SURF, he recognises the importance of a combination of employment guarantees and ethical pay policies to tackle poverty (see next page).

Both the manifesto and *Inequality* present direct job creation by the government as a key component in tackling unemployment although SURF presents this as a solution for areas of market failure while Atkinson's concept is a national-level scheme for meeting an employment target. In line with SURF's point on in-work poverty, Atkinson expands his idea of direct job-creation to include provision for those who are 'partially unemployed'. Under his proposal, someone with limited employment hours would be guaranteed further hours in the public sector with a restriction on the total number of hours available. Atkinson recognises concerns over potential competition between public sector direct job creation and the private sector but refutes it with the point that some competition would be beneficial in that people will leave insecure (zero-hours) private sector jobs or these jobs will be converted to 'regular' jobs.

In his discussion of the kind of jobs that would be provided in a direct job creation programme, Atkinson links back to Proposal 1 and describes the value of local knowledge and human interaction in the context of cuts to services such as child care and health care. He also mentions the potential benefit of guaranteed employment in terms of inclusivity and affirming the value of work.

**Atkinson's Proposal 3:** The government should adopt an explicit target for preventing and reducing unemployment and underpin this ambition by offering guaranteed public employment at the minimum wage to those who seek it.

**Atkinson's Proposal 4:** There should be a national pay policy, consisting of two elements: a statutory minimum wage set at a living wage, and a code of practice for pay above the minimum, agreed as part of a "national conversation" involving the Social and Economic Council.

**SURF Recommendation 11:** Increasing the Minimum Wage (currently a reserved area) to the Scottish Living Wage

Like the manifesto, Atkinson recognises the need for a combination of employment and ethical pay policy in the context of rising in-work poverty. He points out that while a statutory minimum wage already exists, the way in which it is set, based on the ratio of the national minimum wage hourly rate to median hourly earnings, ignores its implications for the distribution of income. Even the highest minimum wage, that of France, is less than the low-pay threshold of two-thirds of median earnings generally used by the OECD.

The Living Wage takes into account a specified number of hours at work and the earnings of all family members and is capped by the Living Wage Commission to ensure it does not rise faster than employers are able to keep up with. The recommended living wage is 20% higher than minimum wage but 20% lower than the rate before the cap is applied.

In the second part of his proposal he sets out a 'pay code' which would govern the spread of pay between top and bottom. The code would not be statutory but would be part of a 'national conversation' that would consider the extent to which those in the middle and lower end of the income distribution are left behind.

Atkinson outlines similar proposals to SURF in terms of the use of a living wage in the public sector and suggests the adoption of a pay code as a precondition for private companies to supply goods or services to the public sector.

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*End of briefing paper*

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*Two appendices follow:*

- The 15 Proposals from 'Inequality: What can be Done?' by [Sir Tony Atkinson](#)
- The 18 Policy Recommendations from SURF's [2016 Manifesto \(2<sup>nd</sup> draft\)](#)

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## APPENDICES

### THE 15 PROPOSALS FROM TONY ATKINSON'S 'INEQUALITY – WHAT CAN BE DONE?'

**Proposal 1:** The direction of technological change should be an explicit concern of policy-makers, encouraging innovation in a form that increases the employability of workers and emphasises the human dimension of service provision.

**Proposal 2:** Public policy should aim at a proper balance of power among stakeholders, and to this end should

- (a) introduce an explicitly distributional dimension into competition policy;
- (b) ensure a legal framework that allows trade unions to represent workers on level terms; and
- (c) establish, where it does not already exist, a Social and Economic Council involving the social partners and other nongovernmental bodies.

**Proposal 3:** The government should adopt an explicit target for preventing and reducing unemployment and underpin this ambition by offering guaranteed public employment at the minimum wage to those who seek it.

**Proposal 4:** There should be a national pay policy, consisting of two elements: a statutory minimum wage set at a living wage, and a code of practice for pay above the minimum, agreed as part of a “national conversation” involving the Social and Economic Council.

**Proposal 5:** The government should offer via national savings bonds a guaranteed positive real rate of interest on savings, with a maximum holding per person.

**Proposal 6:** There should be a capital endowment (minimum inheritance) paid to all at adulthood.

**Proposal 7:** A public Investment Authority should be created, operating a sovereign wealth fund with the aim of building up the net worth of the state by holding investments in companies and in property.

**Proposal 8:** We should return to a more progressive rate structure for the personal income tax, with marginal rates of tax increasing by ranges of taxable income, up to a top rate of 65 per cent, accompanied by a broadening of the tax base.

**Proposal 9:** The government should introduce into the personal income tax an Earned Income Discount, limited to the first band of earnings.

**Proposal 10:** Receipts of inheritance and gifts *inter vivos* should be taxed under a progressive lifetime capital receipts tax.

**Proposal 11:** There should be a proportional, or progressive, property tax based on up-to-date property assessments.

**Proposal 12:** Child Benefit should be paid for all children at a substantial rate and should be taxed as income.

**Proposal 13:** A participation income should be introduced at a national level, complementing existing social protection, with the prospect of an EU-wide child basic income.

**Proposal 14** (alternative to 13): There should be a renewal of social insurance, raising the level of benefits and extending their coverage.

**Proposal 15:** Rich countries should raise their target for Official Development Assistance to 1 per cent of Gross National Income.

Alongside these proposals are several possibilities to explore further:

***Idea to pursue:** a thoroughgoing review of the access of households to the credit market for borrowing not secured on housing.*

***Idea to pursue:** examination of the case for an “income-tax-based” treatment of contributions to private pensions, along the lines of present “privileged” savings schemes, which would bring forward the payment of tax.*

***Idea to pursue:** a re-examination of the case for an annual wealth tax and the prerequisites for its successful introduction.*

***Idea to pursue:** a global tax regime for personal taxpayers, based on total wealth.*

***Idea to pursue:** a minimum tax for corporations.*

## THE 18 PROPOSALS FROM SURF'S MANIFESTO

### *Support Successful Places by:*

1. Prioritising regeneration and public service investment in Scotland's 10% most deprived areas (as defined by the Scottish Index of Multiple Deprivation);
2. Replacing the Hub procurement model with one that supports local regeneration aims;
3. Identifying 15 strategic places in which to deliver sustained investment in major long-term regeneration projects, with a focus on identifying transferable learning;
4. Rebranding and realigning the Community Planning system;
5. Producing a glossary and guidance paper for public sector officials working in regeneration to advise on poorly understood terms and jargon that are to be avoided in external communications, accompanied by information and developmental support sessions;
6. Ensuring the building of at least 7000 new affordable homes per year;
7. Sustaining and enhancing the Town Centre Empty Homes Fund;
8. Ensuring there is an adequate and accessible community meeting space in all disadvantaged communities in Scotland (as defined as the 10% most deprived areas in the Scottish Index of Multiple Deprivation);
9. Enhancing active support for community led regeneration, social enterprises and cultural organisations, whilst recognising that they alone cannot tackle all physical, social and economic challenges in disadvantaged places;
10. Commissioning the conception and delivery of a 'Big Data' research programme specifically geared to the challenges of community regeneration in Scotland.

### *Tackle Poverty & Inequality by:*

11. Increasing the Minimum Wage (currently a reserved area) to the Scottish Living Wage;
12. Providing more flexible employability support via the post-2017 Scottish Work Programme and related resources;
13. Investing in direct job creation in areas of chronic employment market failure;
14. Facilitating greater employer-supported volunteering by compensating workers for time spent actively supporting their community;
15. Replicating the largely successful approach of Highlands & Islands Enterprise to address poverty issues in rural areas in the rest of Scotland;
16. Commissioning a series of 'social prescribing' pilots in selected General Practices in deprived Scottish communities with a view to exploring the potential of wider delivery;
17. Supporting Local Authorities to undertake Fairness Audits prior to implementing any public spending reductions;
18. Establishing a task force to research, understand and address degenerative economic dynamics in the current context.