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A Fairer Share for All

Consultation Paper 137

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Background

This consultation paper is presented as the first stage in the development of new Party policy in relation to poverty and regional inequality. It does not represent agreed Party policy. It is designed to stimulate debate and discussion within the Party and outside; based on the response generated and on the deliberations of the working group a full policy paper on immigration, refugees and identity will be drawn up and presented to Conference for debate.

The paper has been drawn up by a working group appointed by the Federal Policy Committee and chaired by Paul Noblet. Members of the group are prepared to speak on the paper to outside bodies and to discussion meetings organised within the Party.

Comments on the paper, and requests for speakers, should be addressed to: Jonathan Everett, Policy Unit, Liberal Democrats, 8 - 10 Great George Street, London, SW1P 3AE. Email: policy.consultations@libdems.org.uk

Comments should reach us as soon as possible and no later than Sunday 31st March 2019.

Further copies of this paper can be found online at www.libdems.org.uk/policy_papers

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1. Context

1.1.1 The UK is the world's fifth largest economy, but the benefits of this are not being felt by the poorest in society. A fifth of the population now live in poverty; 1.5 million people are destitute and unable to afford basic essentials; child poverty is rising and threatens to reach 40%; the numbers of people sleeping rough has risen for seven consecutive years and shows no sign of slowing. People struggle to provide essentials such as food, housing and heating in a way that they have not had to in recent history. At the same time the heads of the UK's top-100 companies earn 400 times more than a worker on minimum wage and the richest 10% of households own nearly 50% of the nation's wealth.

1.1.2 The UK's regional inequalities are also stark: the average income in the West Midlands is 20% lower than it is in the South East and child poverty is heavily concentrated in the poorest local authorities. Opportunity and access to education, employment and services is not fairly spread around the country.

1.1.3 This poverty and inequality is the direct result of the Conservatives' pursuit of austerity at all costs. The bungled roll-out of Universal Credit and callous cuts to benefits and local government have meant that the burden of austerity has disproportionately been borne by the poor, children, single parents, women, ethnic minority people, asylum seekers and disabled people. For large companies and the most well-off, the effects have barely been felt as they have avoided paying their fair share. This has resulted in the balance of financial risk being transferred away from private companies and central government and on to people and local authorities.

1.1.4 The working group believes that a roof over your head, food in your stomach and a healthy body and mind should never be the privilege of the rich, but a basic right of all. The fact that our politicians and our political processes have failed to deliver these basic

requirements to so many in our society is entirely unacceptable. The Liberal Democrats exist to build and safeguard a fair, free and open society, in which we seek to balance the fundamental values of liberty, equality and community, and in which no one shall be enslaved by poverty, ignorance or conformity.

1.1.5 This consultation paper builds on existing Liberal Democrat policy papers, but also sets out clear options for how we might go further in addressing the way in which too many people, including thousands of children, have been left suffering unfairly from reductions in real incomes and limited local services, without the dignity of employment, and limited local services. Here we set out our current thoughts on how we will champion the freedom, dignity and well-being of all individuals to build a liberal democratic society in which everyone has the opportunity to develop their talents to the full.

1.2 Our approach

1.2.1 As part of the working group's discussions so far we have reviewed existing policy proposals as set out in the 2017 Election Manifesto, [Policy Paper 129 A Rural Future: Time to Act \(2018\)](#), [Policy Paper 124 Mending the Safety Net \(2016\)](#), [Policy Paper 107 Tackling Inequality at its Roots \(2012\)](#) and [Policy Paper 133 Good Jobs, Better Businesses, Stronger Communities: Proposals for a new economy that really works for everyone \(2018\)](#) to assess whether the challenges identified and solutions put forward remain relevant and go far enough in setting out a liberal and radical approach to increasing equality and opportunity.

1.2.2 At the same time, we note proposals agreed by Federal Conference in September 2018 which commits the party to raising additional revenue through increases in progressive taxation; and the subject areas currently being worked on by other groups within the Party on areas such as automation and improving race equality.

1.2.3 Everybody should be able to live in an affordable, secure home in a safe environment. For the poorest in the country, this means that we need to invest in building new social housing. Existing party policy calls for a step-change in the number of social homes being built – so that within five years 100,000 new social houses are being built a year. To ensure that this is possible we would establish a British Housing Company that will be able to buy land for reasonable prices, so that councils are more easily able to afford to build social housing. There is a question about whether this goes far enough: a recent report from Shelter recommended the building of 3.1 million new social homes over the next twenty years, which is more than we are currently proposing.

1.2.4 During our discussions we have placed a great deal of emphasis on how proposals can best work for different groups within society, as well as how regional differences can lead to very different outcomes in terms of access to jobs and public services. Through these discussions we have sought to address the concept of intersectionality to make sure that policies lean towards supporting the individual rather than addressing generic groups of people.

1.2.5 The working group welcomes the excellent work done in government by Liberal Democrats to tackle the gender pay gap, but we also note that much more still needs to be done to improve both pay and access to employment for many women in the UK.

1.2.6 The group further notes that many people from ethnic minorities have been severely impacted by policy changes since 2008, and in many cases even before the financial crash. Before housing costs, 32% of Asian households and 29% of Black households are in the lowest income quintile. This contrasts with 19% of White households. At the same time, 25% of white households are in the highest quintile compared to 15% of Asian households and just 8% of Black households.

1.3 Policy themes

1.3.1 Having reviewed existing Party policy – including on crucial policy issues such as affordable housing and tackling climate change – and considered evidence from a number of outside bodies, we can summarise our areas of focus under three distinct themes which are set out in more detail below:

- Reducing poverty and increasing opportunity.
- Improving work life and skills.
- Investment in local services and regional infrastructure.

1.3.2 The first step towards a fairer share for all is ensuring that the very poorest in society are properly supported. Child poverty has increased alarmingly under the Conservatives and we have looked at a range of options for tackling this. Looking at the benefits system more widely is also crucial: Universal Credit has been appallingly mishandled by the Conservatives and – if it is to effectively support people – needs reform. It is important to emphasise opportunity and to make sure that people have a path to meaningful and rewarding work – so we also consider what should be done to improve working life and help people develop skills for the 21st century. It is important to ensure that the benefits of these changes can be felt around the UK: this means serious investment in infrastructure across the regions and supporting regional industrial strategies.

2. Reducing poverty and increasing opportunity

2.1 The problem

2.1.1 In November 2018, the UN Special Rapporteur on extreme poverty and human rights issued a damning statement on the level of poverty in the UK today. The UK is one of the biggest economies in the world and contains many areas of immense wealth but despite this there has been a huge growth in foodbanks, rough-sleeping and homelessness. A fifth of the country live in poverty and 1.5 million are destitute and unable to afford basic necessities. This is impacting children and harming their life chances: the IFS predicts a 7% rise in child poverty by 2022. This is unacceptable in a country with as much wealth as the UK.

2.2 Our approach to reducing poverty

2.2.1 The Liberal Democrats exist to build and safeguard a fair, free and open society in which no-one is enslaved by poverty or ignorance.

2.2.2 Central to that mission is the creation and maintenance of a welfare safety net which protects those who need it and empowers those who are able to seek work and gain new skills. This consultation paper attempts to balance adjustments in the tax system, investment in employment support, and the pressing need to support those on low incomes or who rely in the short or longer-term on the benefits system to top-up that income or replace it temporarily.

2.2.3 Long-term unemployment and economic hardship are unacceptable in a modern and developed economy. These scourges represent wasted talent and come at an often-huge human cost, including poor mental and physical health, a reliance on food banks in many areas, and increased levels of homelessness and rough sleeping.

2.2.4 By contrast, paid work – at a fair rate – should not only help people to be financially self-sufficient, but should also offer dignity, build self-esteem and improve health. This, however, is not the experience of many people: the growth in poverty in the UK is driven by increasing levels of in-work poverty. This is caused by wages that are decreasing in real terms, the prevalence of zero hours contracts, low productivity growth, increasing housing costs and expensive childcare costs.

2.2.5 It is right that any system should focus individually-tailored support on helping an individual to find, remain in and progress within employment, where this a realistic possibility. However, because work is not in itself a guaranteed route out of poverty, we also need to look at how we support people in low-paid work. Where employment is on a 'zero-hours' contract, there is a strong argument for a higher level of minimum wage to compensate them for the uncertainty of fluctuating hours of work. The social security system must work for all those who need it, regardless of geography, mental or physical health, or levels of skills and qualifications.

2.2.6 We therefore welcome existing Party policy to:

- Increase benefit payments in line with CPI, with a longer-term aspiration to tie increases in benefits rates (apart from housing benefit) to increases in median earnings.
- Scrap the benefits cap.
- Increase Local Housing Allowance in line with local rents.
- Increase the minimum wages for young workers up to the same as the minimum wage for older workers; increase the rates of JSA and UC for those aged 18 – 24 in line with increases in minimum and apprentice wage rates for that age group.
- When personal Income Tax or National Insurance allowances rise, increase work allowances by the same

amount so that poorer people don't lose out on the benefit of tax cuts.

- Separate employment support from the administration of benefits, through devolution of powers to local authorities.
- Support claimants living in areas with poor transport links, and those who are unable to travel for other reasons, through increased use of mobile Jobcentre surgeries and home visits.

2.2.7 However, given that for many people incomes continue to stagnate a decade after the 2008 financial crash the Group believe that the Party must go still further to ensure that those on low and no income are properly supported.

2.2.8 With the benefit of evidence from external organisations, the Group discussed a range of options to meet this aim. In terms of increasing the earnings of the poorest, we considered the impact of increasing to the threshold for National Insurance Contributions. However, on balance the Group is inclined to the view that this is an expensive and badly targeted way to help the least well off in society: increasing the threshold would give the greatest benefit to those in higher income brackets. As such, the working group does not currently intend to propose an immediate increase to this threshold as a means to help the least well-off.

2.2.9 Council tax can be a burden on the lowest earning families, so we have looked at policy options for substantially reducing council tax for the poorest. One option is to reduce council tax at the lowest bands. Compared to increasing the national insurance threshold, this is well-targeted – though not everyone living in a low-band property will necessarily be on a low income – and could represent a meaningful sum of money. There are two options for how this is funded: this could come from central government as emergency council tax relief, whereby central government would fund a reduction in council tax for the council tax bands A & B for the duration of a parliament;

alternatively, we could increase the council tax rate for the top two bands. Or, rather than reducing council tax at all, we could look to restore council tax support through the benefits system.

2.2.10 In response to the deeply flawed Universal Credit system the Group believes that, in its current state, it is not fit to be more widely rolled-out. Before a wider roll-out, an immediate priority must be to improve its administration to stop the delays in payments and to address the current waiting period before claims can be made, as well as the monthly payment cycle which can cause claimants to fall into debt through no fault of their own. We believe the objective of Universal Credit – ie, ensuring that claimants receive support in one simple, easy to understand payment – is right. There are two ways that we might respond to the challenges faced by Universal Credit:

- (a) Pause the roll-out of the current system and fix it so that it functions properly. There are a number of constructive proposals that we can make to this end – eg, ensuring that more things are covered by it and enabling people to get their money earlier – and this enables us to distinguish ourselves from Labour (by having positive proposals) and the Conservatives (by being willing to support the least well-off)
- (b) However, the group took evidence that suggested that the root of the problem may be technological and that this may not be possible. Furthermore, the brand is so damaged in the public eye that we might think it better to propose a completely new system. We are looking into possible alternatives and are considering negative income tax as part of the mixture – this ensures that nobody falls beneath a certain level of income and may make sense as part of a progressive response to the problem of underemployment.

2.2.11 In terms of increasing opportunity, the Group believes that the Party should build on its existing proposal of separating employment support from administration of benefits and claimant conditionality.

Reductions in unemployment have most recently been seen when there has been adequate and sustained investment in Jobcentre staff to support claimants into work. This can be particularly vital for those who have been out of work for a number of years. This includes high numbers of people from ethnic minority backgrounds and from vulnerable groups such as those with disabilities or physical health problems, individuals with mental health problems, or those who have experienced homelessness. We therefore believe that a much greater investment must be made in recruiting more skilled work coaches who are available solely to support people into employment and training rather than also be responsible for their benefit claim and handing out sanctions. Given the problems they cause to people without money, there is also a case for moderating the sanctions regime and abolishing any sanctions targets.

2.2.12 The decreasing amount of money that people have access to is only part of the problem, however: at the same time, the cost of access to basic services – water, gas, electricity, broadband, housing etc – are all increasing. These are essential services and we need to ensure that paying for these services does not drive people further into poverty. It is especially important to tackle models of provision that disadvantage the poorest.

2.2.13 The Group also examined with the advice of external groups the effect that inadequate and unaffordable levels of childcare can have on poverty: childcare is a huge expense that makes it hard for many parents to return to work. Government support currently does not help parents until children are two years old and is only available for up to 30 hours a week – substantially less than a full-time job. This contributes to poverty and lack of opportunity: it ultimately means that too many families end up relying on just one income – or, in the case of single parents it forces the parent into part-time or flexible work – and a lengthy career break means it can be hard to get back into work

2.2.14 Current Party policy recognises that more needs to be done to enable parents, should they wish to, to go back to training or employment after having a child. However, there is room to go further. The working group has been exploring the possibility of advocating for universal free childcare: for children from the age of one, for more hours in the week than currently offered by the government and for more weeks in the year. An alternative approach would be to look at the model which exists in Berlin, through which crèches and kindergarten lead through to primary school, for socialisation as well as education, with the possibility of being looked after while those bringing them up work. We are also exploring other ways to support parents: we are looking at the impact of making changes to child benefit – both increasing it and, perhaps, making it universal again – and exploring the impact of increasing the length of statutory paternity leave beyond six weeks as the party currently advocates.

2.2.15 The proposals in this section would represent a substantial investment by Government to support the least well-off in society. In order to fund this, we rely on the party's policy on the taxation of wealth.¹ Liberal Democrats would turn inheritance tax into a progressive large gifts tax, tax capital gains and dividends through the income tax system, abolish capital gains forgiveness at death and introduce a flat rate of relief on pension contributions. We would also make the taxation of residential property fairer by immediately introducing higher council tax bands and in the long run move towards a simple percentage-based annual property tax based on up-to-date valuations. These plans together would mean that the wealthiest in society pay a fairer share, and we would ensure that this goes towards addressing the unacceptable levels of poverty in the UK today. While developing our proposals we will assess whether the money raised

¹ Policy motion *Promoting a Fairer Distribution of Wealth* (2018).

from this is enough, or whether additional taxes may be necessary, eg a revenue tax for some or all businesses.

- Question 1: Which of the areas discussed would you prioritise to ensure a fairer share for all? Is there something else we should be considering?*
- Question 2: Should Universal Credit be scrapped altogether, or should its current flaws be addressed, and the system reconfigured to restore confidence in the benefits system?*
- Question 3: How should we ensure that people have access to basic services, especially utilities and broadband?*
- Question 4: Should we reintroduce UK poverty targets, which would be scrapped by the current Conservative government?*
- Question 5: Should the party move towards a system of universal, flexible childcare provision? Should we prioritise stand-alone provision or providing this through the education system?*
- Question 6: Should we reduce Council Tax bills for poorer households? If so, how?*
- Question 7: Should the Party consider plans for a revenue tax on larger companies as part of its progressive approach to taxation?*
- Question 8: Should we increase levels of paid parental leave, as well as addressing the need for providing additional support for carers, including foster carers?*

3. Improving working life and skills

3.1 The problem

3.1.1 The previous section sets out ways in which we might help the least well off in society by providing a proper safety net and ensuring that parents are able to properly support their children and give them the best start in life. However, this is not enough on its own. We believe that good jobs, which provide well-rewarded and meaningful work, are central to our individual wellbeing and to the wellbeing of our communities. It is important to ensure that everyone has the opportunity to engage in rewarding and meaningful work.

3.1.2 Previous generations have enjoyed rising living standards, more protection as employees, greater security of employment, and a comfortable retirement. Today, however, high levels of employment mask the precarious nature of many jobs, as work becomes 'flexible' and the 'gig economy' grows. Looking forward, major changes are coming as businesses embrace new technologies. We see opportunities in these changes – but there will be an impact on people in some sectors or work and we must ensure that people are able to adapt and make the most of the new opportunities that technology will present.

3.2 Our approach to improving working life

3.2.1 The working group is keen to balance ensuring that there is a strong safety net for those on low incomes with offering every opportunity to gain new skills and find employment which pays a fair wage or salary.

3.2.2 In addition to the proposals set out above to increase minimum wages and work allowance thresholds, and to provide universal childcare for those who choose to enter or re-enter employment or training, we welcome existing party policy in the following areas:

- Reforming the labour market to give control and choice back to workers, with additional rights for those in the gig economy, a powerful new Worker Protection Enforcement Authority to protect those in precarious work, and a 'Good Employer' kite mark to promote good firms.
- Introduce Lifelong Learning Entitlements – individual ring-fenced funds to enable access to high-quality training schemes for adults – to boost productivity and allow for re-skilling. Individuals and employers could also make contributions to the funds.
- Support the Lifelong Learning Entitlement with a right to request time off or flexible working from your current employer to undertake training.
- Focus on boosting the quality as well as the quantity of apprenticeships by dropping the government's three million apprenticeships target.
- Reform the apprenticeship levy by widening it into a skills and training levy that is not limited to apprenticeships and ringfencing a share of the funding for deprived, low-skill areas.
- Introduce modular apprenticeships, regulated by local authorities to give a range of skills and competencies. This would enable people to gain exposure to a wider variety of work and develop the more flexible skillset.
- Introduce new targets requiring a proportion of apprenticeships to be above level three, and a proportion above level four. The requirement for a recognised qualification to be part of an apprenticeship would be reinstated.
- Make it explicit government policy to encourage the creation and maintenance of more mutuals, co-operatives, social enterprises, community-interest companies and to support additional moves to increase employee ownership.

3.2.3 Regarding automation, we note that the Party already proposes to create a requirement for all companies over 250 employees to set out an Automation Plan that assesses and prescribes support for any workers judged to be at risk from automation. However, we must not fall into the mindset that automation will have a purely negative effect on employment. With the right skills training the UK could benefit from the economic potential of this sector and create jobs and opportunities for many people throughout the country.

- Question 9: How might schools liaise more closely with employers and colleges to help pupils identify skills that they are interested in developing?*
- Question 10: Should employers contribute to Lifelong Learning Entitlements or to an 'Automation Fund'? Should it only be employers of a certain size?*
- Question 11: How could the output of robots be taxed in the same way that employment is currently taxed? And how should the proceeds from this be used?*
- Question 12: How can employers be encouraged to retrain their workforces rather than resorting to redundancies?*
- Question 13: Should the Party consider ways to improve the attractiveness of careers that are less likely to be automated but are currently undervalued (eg, caring)?*
- Question 14: Should we place a statutory duty on public bodies and major institutions to further support people with special educational needs, and lower levels of literacy and numeracy, as part of our commitment to lifelong learning?*
- Question 15: How should we support local businesses and clusters to offer further learning opportunities to people? How can we ensure that learning opportunities are available in remote areas?*

4. Investment in local services and regional infrastructure

4.1 The problem

4.1.1 Prosperity is very unevenly spread across the nations and regions of the UK. The Conservatives have failed to deliver on the promise of the 'Northern Powerhouse' and dropped major projects elsewhere such as the Swansea tidal lagoon. The prospect of Brexit, supported by Conservatives and Labour alike, including the loss of £8.9 billion of European Structural and Investment Funds, is only likely to make the problems faced by disadvantaged areas worse. The working group believes that the only sustainable way to tackle the regional divide is through local autonomy with real financial muscle.

4.2 Our approach to the regions

4.2.1 In recent years the Party has set out several proposals to devolve power and resources to local and regional bodies to help rebalance the UK economy, which has over recent decades become increasingly focussed on a small number of industries based in the main in London and the South East.

4.2.2 While it is clear that as a major world city London and its hinterland will continue to play the major role in the UK economy, it is vital for the future economic health of the economy and the people that steps are taken to reshape both the economy and access to new skills and public services.

4.2.3 The working group supports proposals put forward by previous policy papers and the 2017 General Election manifesto which called for an increased role for Local Enterprise Partnerships to drive economic strategies for rural and coastal areas, and to invest in transport links to facilitate these strategies.

4.2.4 Alongside devolution of funding and powers to enterprise partnerships must come further devolution of political decision making. Through dialogue with local authorities, any changes must ensure that power and funding reside with democratically accountable bodies.

4.2.5 We believe that the role of transport is vital to creating economic growth, improving access to employment, and strengthening the ability of individuals to choose their employer and potentially secure higher wages through an increase in the number of local businesses. It of course is also a major factor in tackling climate change and improving air quality.

4.2.6 The Group supports existing proposals to upgrade public transport links between city centres and surrounding areas but notes that as central government grants to local authorities have reduced over the past decade it is now vital to ensure that traditional bus and rail links within and between our smaller towns and rural areas are properly funded to enable everyone to access services and employment opportunities.

4.2.7 A 2016 government estimate that 51% of rural households do not have access to a bus route, compared with 4% of urban dwellers. At the same time, 30% of bus journeys outside London are undertaken by those with elderly or concessionary passes. In addition, bus and rail services can be vital for 16-21-year olds who are studying or training to gain new skills, and older students who may be retraining or accessing further education for the first time.

4.2.8 We support existing proposals to introduce a new Young Person's Bus Discount Card, for people aged 16–21, giving a two-thirds discount on bus travel, and to give local authorities the power to franchise and integrate transport services. While this is valuable, a big part of the problem with buses outside major cities is that they are too few and infrequent to be attractive or realistic options for a daily commute – more needs to be done to improve bus routes.

4.2.9 Crucial to both accessing public services and employment is access to technology. We endorse proposals put forward in the 2017 General Election manifesto, and elsewhere, which identify the need for every locality to have access to superfast broadband. In policy paper 129 *A Rural Future Time to Act* (2018), we argue that this should be provided by using a £2 bn fund to extend the universal service obligation so that it is a right to be provided with superfast broadband (>30Mbps download, 1Mbps upload) on request.

4.2.10 This is crucial not only to ensure that businesses, regardless of their size or location, can prosper and grow but it vital also for people to be able to access business and the increasing number of online public services, as well as educational opportunities through online learning programmes.

4.2.11 In the same way that public transport services must be safeguarded and upgraded to enable access to physical public services such as banks, post offices, jobcentres and community hubs, so too must virtual access to these services.

4.2.12 For those unable to travel to these locations, or who through closures cannot access them locally as they no longer exist, it is vital that technology be able to serve their needs. Whilst libraries and other public buildings have been suggested as possible solutions, the pressure on these services means that in the longer term we need solutions to enable access to both superfast broadband and PC, tablet or mobile phone technology.

4.2.13 The working group is also looking at the availability of local services that support particular communities. There is evidence that members of the LGBT+ – especially transgender people – have a higher risk of social isolation and poor wellbeing and an increased chance of homelessness. It is important that local support services are provided to tackle these challenges.

- Question 16: Should the Party go further in devolving economic powers and capital infrastructure spending to nations and regions?*
- Question 17: Should we allocate more capital funding for infrastructure to those regions and nations of the UK which have seen less investment over past decades?*
- Question 18: Should we offer discounted bus travel for anyone accessing further education, traineeships, or apprenticeships?*
- Question 19: Should we subsidise the cost of a PC, tablet or mobile device so that all households have access to basic levels of technology? Is there a case for treating a level of access to the internet as a basic right that should be universally available?*

