In response to the Commission on a Gender-Equal Economy's calls for evidence on social security, we would like to submit the New Economic Foundation's ideas for reform to the social security system (and tax).

The proposal

We propose the creation of two new pillars of working age social security: **a National Allowance (NA)**; and **National Social Security (NSS)**, which together would **make up a new system of Minimum Income Protection**. These are a set of fully costed proposals that would improve the generosity of the social security system, particularly families with children,n and improve financial work incentives for all (notably including second earners in families with children and single parents – overwhelmingly women.)

The National Allowance would have two elements:

a) Adult element: converting the personal allowance of income tax into an equivalent cash payment; this element would be tax free but would be included in the income assessment of other means tested benefits on the same basis as earnings from work
b) Child element: for families with children this would be topped up with a cash payment equal to restoring child benefit to its 2010 real terms value – in effect reversing 7 years of freeze to child benefit

Our modelling of such a system shows that changes to the benefit system would be made cost neutral after abolishing the personal allowance of income tax and child benefit after taking into savings made in other means tested benefits. Further detail on this policy here: https://neweconomics.org/2019/03/nothing-personal, but it would significantly reduce poverty and lower inequality by itself, notably giving additional unconditional support to families with children. One additional opportunity of such a policy is that it significantly reduces the cost of a more generous means tested social security system due to the boost in incomes for the lower paid, prior to means testing. This makes a far more substantial, better designed means tested social security system possible - and our proposed social security reform would be particularly beneficial to women and families, as described below.

We therefore propose in addition replacing the current system of Universal Credit with a new system of 'National Security', which would reshape current working age benefits in several major ways, including:

a) Increase and expand work allowances for all or creating new work allowances for those who do not have them currently
b) Reduce the taper rate at which benefits are withdrawn
c) Restore benefits to their 2015 value
d) Abolish the 2-child limit
e) Abolish the benefit cap
f) Raise the contribution towards childcare costs from 85% to 100%
g) Make split payments by individual the default, rather than paying all family benefits to a single adult

Converting UC into a system of NS along the lines outlined above would cost approximately £23 billion on top of the existing cost of UC, if made before introducing a 'National Allowance'. But because the NA would significantly reduce the need for means tested benefits overall, the additional cost of converting UC into a new system of NS in line with the specifications above would fall to approximately £15 billion. We propose this money is raised by equalising the effective rates of taxation on income from capital gains and dividend income with income from labour earnings, as proposed by IPPR and the Institute for Fiscal Studies, among others.

Taken together, these proposals would benefit women by:

- lifting 800,000 families out of poverty, including 1.5 million adults and 800,000 children, compared to the current system of UC by increasing generosity of payments, abolishing the benefit cap and abolishing the 2-child limit on payments
- giving women more financial control by making split payments the default
- improve financial incentives to work for women – by creating work allowances for second earners and expanding work allowances for single parents (overwhelmingly women)
- improving financial situation for parents in work – by fully covering the contribution towards childcare costs

Best,

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