

Affordable, simple, popular: **updating our social security system**

Research Briefing – December 2023

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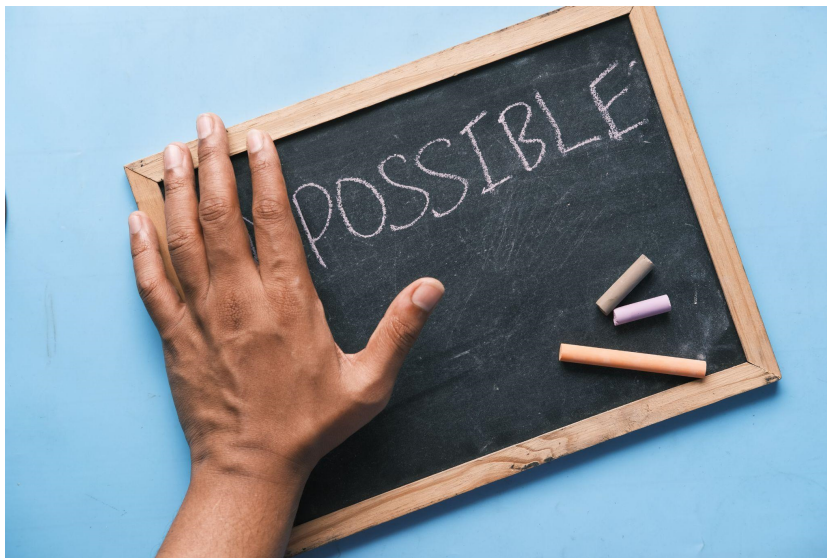


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Our social security system, like the NHS, needs to be there for us all: if we become unwell or disabled; we're caring for a loved one; or struggling to make ends meet.

But times have changed and our social security system needs updating so that everyone - especially those who most need it - can thrive in today's world.

This new *Research Briefing* shows how updating our social security system is:

- ***Entirely affordable.***
- ***Easily funded by closing tax loopholes and other options.***
- ***A social and economic investment which boosts GDP & employment.***

An affordable social security system

This *Research Briefing* presents evidence on an affordable social security system.

It draws on a number of sources including modelling undertaken by the Fraser of Allander Institute at the University of Strathclyde (with funding from Lloyds Bank Foundation for England & Wales).

There are several proposals available for updating the social security system and the Fraser of Allander Institute (FAI) modelling examined one specific option called [*The Plan*](#), which sets out:

- A hugely simplified system.
- Is based on ensuring no one is ever left with social security of less than 50% of the minimum wage (around £190 a week).
- Offers popularity by chiming with deep rooted public values.

Costings

To provide context:

- £1,107 billion = total government spending in 2020/21.
- £683 billion = amount held by 171 UK billionaires.
- £480 billion = just part of the cost of the UK system of tax reliefs.

- £100 billion = cost of HS2.
- £78 billion = cost of poverty.

The cost of updating our social security system is less than all of the above - the FAI estimates initial expenditure at £71 billion.

Is it better to spend £78 billion on the costs of poverty or £71 billion preventing it?

Ongoing investment would be likely to fall as the current vicious circle of insecurity and poverty is replaced by a virtuous cycle of positive household and macroeconomic impacts, as follows.

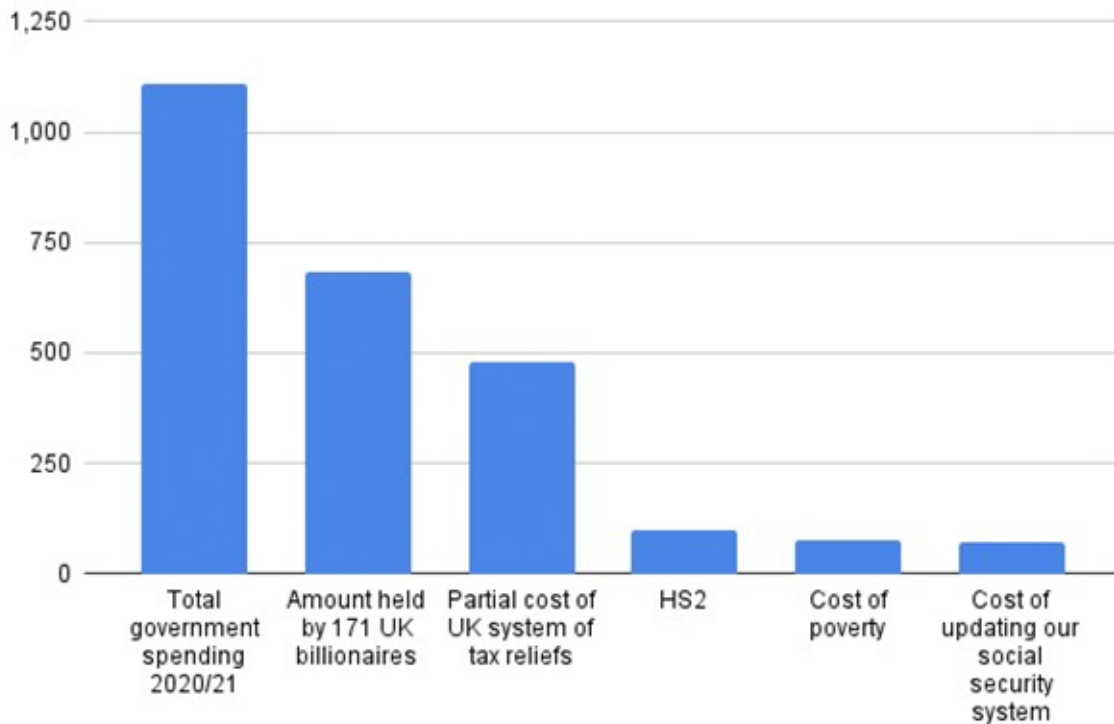
Social security is a social and economic investment

Changes to our social security system have macroeconomic as well as household impacts. FAI examined macroeconomic factors using a Computable General Equilibrium model.

The modelling found that an updated social security system would have positive macroeconomic impacts.

Strikingly, social security based on the 50% of minimum wage idea would:

Context: £ Billions



- Boost GDP by 1.1% to 2.4% per capita.
- Increase employment by 0.7% to 2.1%.

Social security is not just preventative spending but a socio-economic investment.

Covering the initial investment

The chart above shows what the [Patriotic Millionaires](#) group says:

We have plenty of wealth to go around – it's where it's stuck that's the problem.

The initial investment in updating our social security system can be easily covered by closing tax

loopholes and the very rich and multinational companies paying a fair share. Options include:

- £260 billion from a one-off 1% levy on wealth above £500,000 or £80 billion with a £2 million threshold – [Wealth Tax Commission](#).
- £50 billion from six policies by [Tax Justice UK](#).
- £35.8 billion by closing the [tax gap](#) (the difference between the amount of tax owed and what the government collects).
- £35 billion by tackling what the [Tax Justice Network](#) estimates the UK loses to global tax abuse.
- £7 billion [by closing just five tax loopholes](#).

Conclusions

Our social security system is there for everyone, especially those who need it most - a principle we can all get behind and be proud of.

Updating our social security system to ensure no one is ever left with less than 50% of the minimum wage (around £190 a week) is:

- ***Entirely affordable.***
- ***Easily covered by closing tax loopholes and other options.***

We also need to update how we think about social security, recognising what was learnt in the post-war years i.e.

- ***Updating our social security system is a social and economic investment which boosts GDP and employment.***

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Notes

FAI modelling: 'Evaluation of The Plan' (2023) Fraser of Allander Institute at the University of Strathclyde.
Available at bit.ly/3PvDs95

Amount of wealth held by UK billionaires: The Sunday Times 'Rich List 2023'.
Available at bit.ly/3FnYS3n

The cost of poverty: 'Counting the cost of UK poverty' (2016) Glen Bramley, Donald Hirsch, Mandy Littlewood and David Watkins, York: Joseph Rowntree Foundation.
Available at bit.ly/3EQUAkL

Cost of tax reliefs: Sinfield A. (2023) 'Fiscal welfare and tax expenditures' in Taxation and Social Policy.
See bit.ly/46Y1u3X

HS2: 'How did HS2 become a £100bn money pit?' The Times, 29 January 2023.
Available at bit.ly/46Y9x0f [paywall]

Popularity: Orton, M. and Sarkar, S. (2023) '(Mis)understanding public attitudes to social security: re-setting debate' Critical Social Policy.
Available at bit.ly/3QKTMo9

The Plan: for an updated social security system.
Available at bit.ly/3eaQABM

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Updating our social security system is a social and economic investment - the 1945 generation knew it so shouldn't we remember that lesson?