

MEMORANDUM



**MORE DAMAGE TO THE FAMILY**

*A Response to the Government's Consultation Paper*

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## MORE DAMAGE TO THE FAMILY

### **Shirking responsibility**

The Prime Minister told this year's Labour Party Conference that:

Every area of this Government's policy will be scrutinised to see how it affects family life, every policy examined, every initiative tested, every avenue explored how we can strengthen families.

So it is striking that *Supporting Families* observes that:

In the past, family policy has often suffered from an excess of rhetoric and a lack of practical action.

Will the proposals in this document do anything to reverse the disastrous decline and disintegration of family life? Is there a serious agenda to restore marriage? Or is this another "excess of rhetoric"?

What is unclear is whether the authors of the report believe that government can do anything. While maintaining that government can make a difference by "strengthening marriage and reducing the risks of family breakdown", it falls back on the fatalistic excuse for inaction that:

Families are, and always will be, mainly shaped by private choices well beyond the influence of government.

And it then goes on to state that it is a:

...misguided view that there are large levers that governments can pull to affect how families behave.

So we are being asked to forget that government makes laws which shape what it means to be married; that tax and benefit policy is in the government's control and that government allocates much in the way of individual and national resources. On the one hand, the Chancellor claims that the tax system sends important signals about the activities that society wishes to promote or deter. But when it comes to the family, it seems that we must accept that decisions involving marriage, divorce and children are somehow different. Above all, we are expected to forget that the economic, legal and social supports of marriage have been demolished with astonishing speed and thoroughness over recent decades.

*In short, this document rightly claims that marriage is the surest foundation for raising children; but it fails to propose any serious measures to defend this threatened institution. Indeed, in many cases, its proposals will only makes things worse.*

**Pulling the levers: Financial penalties of marriage**

A two parent family, rearing their children at home, is not being supported by the present Government. Indeed, calls to “strengthen marriage” are the bizarre preface to a policy designed to support lone parenthood. There are tax credits of up to £70 per week for one child and up to £105 for two children when children go into day-care. These will only be available to couples who both work over 16 hours each. Parents who look after their children at home get nothing.

The coming Working Families Tax Credit (WFTC), like the present Family Credit, will penalise couples in that it is based on overall income: it makes no allowance for a second adult. A working lone parent with two children will get exactly the same amount of money as a two parent family. This will give couples a far lower living standard for couples than for lone parents. The second parent is only a liability. In addition, because the WFTC is going to extend far higher up the income scale than Family Credit, the pressures to stay unmarried, or to split up, or to keep relationships “off the books” will be ratcheted up. It is not surprising that research shows that earned income tax credit drives up the divorce rate.

Married couple families, particularly those with one main earner, are in for a hard squeeze outside the means tested system as well as within. While much is made of the proposed increase in child benefit of £2.50 per week, it will be paid for from an increase in tax on couples with, as well as without, children. Next April, the remaining cash value of the Married Couples Allowance will be reduced from £5.48 to £3.75 – so the net effect on families is 77p per week. This 77p should be offset against the loss of nearly £7 per week at the basic rate of tax and over £14 per week at the higher tax rate, that families have lost from the withdrawal of the Married Couples Allowance over the 1990s. Moreover, it is now proposed to tax the “increased” child benefit on higher rate tax payers at 40%. This will mean that the sole or main earner for a family of four, with one gross income of £32,000 per year, will pay more income tax than a single childless man although the family’s living standard will be under half that of a bachelor on the same wage. (In addition, singles already pay 25% less Council Tax).

As families with children find it more and more difficult to live on one income, so will more mothers be forced into the workplace for longer and longer hours, regardless of their wishes: it is on record that a majority of working mothers with children already wish to work shorter hours or none at all. Fewer marriages will form and more will break in the face of these pressures.

The Government sees its policies as “enhancing financial independence, especially in women”. It claims that it is giving women “choices”, but these choices only exist if they choose to work. *Supporting Families* admits that:

Work also takes up time that could otherwise be committed to the family

And that:

Families find it hard to strike a balance, and many are suffering from intense pressures

But the Government's recommendations will not provide a way to relieve these intense pressures.

If we really want to "help marriages succeed" and to support family life, we must take a hard look at what incentives these require and what incentives or disincentives are now in place. A prime need is reform of the tax structure to reverse recent trends that favour individuals over families, that frustrate co-operation, and that penalise those who accept responsibility for others.

Yet, over the last 20 years or so, governments have pulled a very large lever which has placed a disproportionate tax burden onto families. In the 1950s a family with one income and two young children did not pay tax until their income exceeded an average manual worker's earning. A single person started to pay tax when his earnings reached 40% of average manual worker's earnings. In the mid 1960s, a single earner married couple on average male earnings with two young children paid 9% of their income in tax and national insurance contributions. Now that figure has more than doubled to 21%. A single person on average earnings in the 1960s paid 23% of income in tax; now that figure is 27%, an increase of less than one-fifth. In effect, families have paid for other people's tax cuts and benefits.

Welfare dependency, hand in hand with family breakdown, owes much to a tax system which fails to recognise the extra costs which families bear – whatever the income level. It may be accepted that a family with £80,000 per year pays more tax than one with £40,000; and one with £40,000 more than a family on £10,000. However, is it acceptable to tax a family with £80,000 the same or even harder than a single childless person with £80,000? And similarly for the family vis-à-vis the single person with £40,000 or £10,000? An equitable system would allow couples to keep money they reasonably need for child-rearing and to spend as they best judge on their own or substitute care. This is not "pressure to marry". It is recognising mutual responsibility, the equal status of husband and wife as well as offering genuine freedom of choice when it comes to "balancing work and family life".

#### **Pulling the levers: Loosening the legal bonds of marriage**

The rules for ending marriages affect the rules for contracting marriage. The availability of no-fault, unilateral divorce state undermines the status of marriage as it will soon not be possible to make a lifelong commitment. When the Family Law Act comes into being in 2000, one spouse will not even have to give a formal reason for leaving the other. As far as the legal dimensions go, marriage has been redefined as a contingent, time-limited arrangement, where the state's role has changed from protecting marriage to facilitating divorce. This has removed the power from the one who wants to stay married and transferred it to the one who wants to divorce. It therefore creates powerful disincentives to invest in the partnership: everything can be lost at the time of separation. So it penalises family-first behaviour. Will the Government's "clear and simple guide" for people planning to marry tell them that marriage is "such a serious business" but that it is less binding than a job contract?

While it is becoming more and more difficult for an employer to terminate a person's employment, a spouse can be dismissed on no grounds whatsoever. Even provisions inserted into the Family Law Act enabling conduct to be considered in the disposal of assets are to be over-ridden, removing any break on capricious behaviour.

The question is why the state bothers to issue wedding licences for the saying of vows which have been emptied of legal meaning. Couples are to be allowed to make legally-binding prenuptial agreements which will specify how their assets will be split up in the case of divorce. However they will not be allowed to make agreements contingent on the reasons for the failure of a marriage. So couples will not have more security and control over their lives. Nicer civil marriage ceremonies, baby-naming ceremonies and giving couples more time to reflect on their marriage plans is just renewing the wallpaper to hold up a building when the foundations have been removed. Marriage needs to be recreated: what couples really need is the right to make a binding contract in which the financial the consequences of being responsible for ending a marriage are specified.

*Supporting Families* is ridden with ambivalence. It states that marriage is "the surest foundation for raising children", but then hastily assures us about all the "strong and mutually supportive families and relationships outside marriage". While it says it wants to strengthen marriage, there is a refusal to treat it as a special institution. Instead, the state is eliminating the remaining distinctions between the legal consequences of marrying and living together. More of the rights of marriage are being given to those who do not take on its responsibilities – for example, by automatically giving any unmarried parent who appears on the birth register the same status as a married father. Such attempts at underwriting the validity of all "lifestyle choices" are likely to lead to further erosion of marriage.

What the Consultation Document ignores is the way in which co-habitations with children break up earlier and four times more often than married couples. Men do not make dependable fathers outside of marriage. Mothers who do not marry out of co-habitations are disproportionately likely to join the increasing number of unwed lone mothers.

There seems to be a belief that giving more and more people the legal benefits of being married somehow increases the degree of commitment and caring in relationships. This belief tends to go hand in hand with the notion that we will not need marriage itself for child-rearing, since all manner of other relations and circumstances are able to perform the same social functions. But if they can, why does even a Labour Government have a document like *Supporting Families*?