Predistribution

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Predistribution

• What might it mean

• Policy Thinking
  1. Policy space
  2. Policy Ideas
  3. Properties of pre- vs secondary distribution policy

• Politics
Predistribution

What might it mean

• Economists make a distinction between the Primary (or Private) distribution of incomes – work, wages and pensions, and secondary redistribution from taxes and benefits

• Predistribution should be to consider living standards. This covers prices and quality of products/services consumed by low income households

• E.g. rents, energy bills, debt and banking costs, quality of housing etc (particular issues for lower income families)
Example – raise low wages by \( \frac{1}{2} \) the current gap with the median – recycle savings on tax credits into Child Benefit
Policy Thinking

1. Policy space
   • Legal restrictions or near – e.g. regulation, licence to practice, min wages
   • (Consumer) Campaigns – Fair Trade etc
   • Framing effects – e.g. opt out rather than opt in pensions such as NEST
   • Contracting - Public procurement riders and potential for similar in private/charity sectors
   • Investment for prevention (akin to preventative health)
Policy Thinking

2. Policy Ideas - Plausible

Reducing long-term unemployment – RPA for youth, apprenticeship expansion, FJF type programmes

Expanding the coverage of occupational pensions through NEST type schemes backed with restrictions on management fees to make them better value to low wage savers and raise min employer contribution

Limiting the higher prices charged by energy firms for payment systems other than direct debits, such as Charge Keys and limits of banking charges/debt payments.

Living wage campaigns backed by more extensive use of public procurement conditions in contacts etc.
Policy Thinking

2. Policy Ideas - Harder

Boosting employment for marginal groups, such as people in the most deprived areas, the least educated, the disabled and the over 50s. Flexibility for workers – right to request part-time, workplace adaptation

Training, the current high job turnover in low wage sectors discourages both firms and workers from training, pushing towards long-term and investment focused employment contracts is likely to be central to pre-distribution

Focusing school resources on reducing Britain’s long tail of underachievement
Policy Thinking

3. Properties of predistribution
• Scale of effects given forces driving inequality?
• Policy gains more likely to depend on economic cycle – tight labour market
• Targeting prior to outcomes being known results in far bigger resources needing to be moved (all low waged workers compared to those in poor families) – need to have no adverse economic side effects
• Preventative strategies infrequently pay off in purely exchequor terms - except for crime, smoking
Politics

• Campaigning side to pre-distribution has an exciting political side
• Area of increased bargaining clout and membership of trades is important plus social activism by unions
• Focusing state resources on problem groups (even when preventative) involves trade offs with middle class services