



Policy recommendations

Inequality and the top 10% in Europe

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These policy recommendations are based on independent research conducted on the top 10% of the income distribution in the UK, Sweden, Spain and Ireland by TASC and its partner organisations, Compass; Arena Idé and Fundación Alternativas. The research consisted of both quantitative and qualitative data analysis, drawing on EU-SILC and European Social Survey data and in-depth interviews conducted by the four partner organisations. The top 10% analysed in the four countries tend to vote regularly and influence policy; therefore, the research concludes that policymakers need to engage with the top 10% in formulating policy to reduce inequality, and in a post-pandemic world, generate greater solidarity across different socio-economic groups:

Below are the report's key recommendations, followed by country-specific policy implications:

1. Invest in public services. Respond to the top 10%'s desire for fairness and increased opportunities for social mobility – especially amongst younger generations – by investing in all public services that implicitly respond to housing, health, and education needs. Climate action was not mentioned that often in the interviews but may become a basic right. The pandemic has shown how crucial it is for governments to fund, plan and provide preventative public health as well as essential frontline services that respond to a crisis and generate public resilience.

2. Improve public understanding of the negative consequences of inequality. This should be a fundamental element of further investment in public services. Policy design needs to incorporate the impact that those services have on life chances and social mobility. To increase support from the top 10% for redistribution, policymakers need to extend the political discussion to the range of dimensions of inequality, such as racial inequality, gender inequality, and wealth inequality.

3. Highlight the association between poverty and inequality. In doing so, draw on the empathy shown to those in poverty and demonstrate that reducing inequality is instrumental in reducing poverty.

4. Promote the importance of public services to the top 10%. Covid-19 has shown how important these services are for supporting public health, education, and the economy. These services also provide a sense of security across income groups and reduce inequality. Public services should continue to be promoted within public policy, specifically in relation to public resilience to present and future challenges, like an ageing population in Europe. Improving public understanding of the role of the public sector will be integral to promoting it.

5. Improve public sector performance. This will be an essential element of the strategy for maintaining the top 10%'s demand for public services by legitimising the welfare state and guaranteeing its maintenance and improvement. Specifically, policies should aim to improve service quality, access, and innovation. The top 10% should be encouraged in turn to use these services rather than accepting implicitly the notion that private services offer better quality and faster access.

6. Promote public policy evaluation. This will increase public confidence in accountability and efficiency of public services; encourage scrutiny and participation in the policy process and through wider dissemination of evaluation results, increase awareness of positive policy outcomes for redistribution, well-being and use of public revenue.

7. Address misconceptions about the top 10%'s relative position in the income distribution and the functioning of the welfare state (and in the process reverse some of the stigma the top 10% expressed about using public services). Make the relationship between an individual's financial contribution and their position within the income distribution much more transparent, for example, through the tax submission process.

8. Make fair access to quality education a policy priority. Even if respondents were against inheritance tax, they wanted fairness across generations. In other words, even if they were against paying more taxes, they wanted public investment to prioritise providing better opportunities for children of less well-off families.

9. Likewise, make equality in healthcare a priority, versus two-tiered health systems. This point is particularly relevant for Ireland, but also in the other three countries, where use of private care by wealthier segments of the population has been increasing since 2008. The top 10%'s desire for a strong public health system is likely to have increased during the pandemic.

10. Intensify regional development policy. Notwithstanding the complexities of spatial economic disparities, governments should encourage economic development outside main cities, particularly in small towns and neglected rural areas. The cost of living in main cities means that social reproduction has become more difficult, and this can be addressed through job creation and investment in infrastructure outside the cities. Economic development should incorporate wider use of technology, as seen during the pandemic, to promote teleworking and shorter working hours.

11. Improve public understanding of the tax system. In particular, the connection between taxes and public expenditure.

12. Promote increased transparency in the tax system to instil trust in government expenditure, decision making and use of tax revenue.

13. Promote fairer distribution of the tax burden. Ensure that corporations and the wealthiest individuals pay taxes in the countries where they live and operate and where business value is created. This would mean government cooperation to limit capacity for tax evasion.

14. Promote taxes on second homes and shares. These are not as controversial as inheritance tax, and can contribute to fairer tax contributions.

15. Promote private sector reform. Businesses should be obliged contractually to act as 'good citizens', or in the public interest, when they are delivering public services, and the public sector bidding and specific contractual terms may need to be changed accordingly. Regulations should ensure that corporations serve public interest in delivering public sector contracts.

16. Invest in local economic, civic and democratic initiatives that facilitate interaction across the income distribution, (such as democracy forums, national volunteering schemes and participatory budgeting) and in turn, build a stronger public base for new policy directions and public resilience to challenges like Covid-19.

17. Encourage the top 10% to participate in politics. Governments should acknowledge the influence that investing in public services can have on building trust in the state and, in principle, participation in politics by the top 10%. By generating confidence in services, governments are also encouraging interest in policy making and policy ideas which in turn will build a sense of political agency across the wider population. Political and civic engagement should be promoted among young people through, for example, the provision of university fellowships rewarding engagement. Technology has a greater potential role here.

18. Political parties need to engage with the top 10% about the effects of inequality. This conversation could refer to poverty in work, downward social mobility, decline in 'good jobs' due to factors like automation, the impact of poor public services on reproducing inequality and undermining a safety net, and the relationship between inequality and political instability, the future of democracy and climate action.

19. Promote the benefits of interpersonal solidarity, volunteerism and social commitment. Promoting these benefits may not be difficult given that members of this population may already be giving to charity. The additional emphasis would be on community engagement, especially considering how critical it has been to maintain support during the pandemic. The connection can also be made here between the top 10%'s continued use of public services, not only to maintain their quality and universality but also to engender a feeling of active citizenship and interpersonal solidarity.

20. Reform political culture. Political parties should think more deeply about how they could reform their political and organisational culture so as to motivate the public, including the top 10%, to actively engage with (not just vote for) them. This could include facilitating community engagement, establishing networks, listening exercises, and so on.

Country- specific policy recommendations

Country-specific policy recommendations

UK

1. Invest in early years education; support paid apprenticeships and vocational training to establish alternative trajectories to career mobility than higher education.
2. Build more affordable and mixed income housing.
3. Promote universal basic services, 'as of right' provisions, particularly the idea of a recovery basic income.
4. Promote private sector reform: including a move away from the sector's short term survival modes, and unfavourable corporate practices and culture e.g. addressing the gender pay gap, workplace bullying; calls for a reduction in working time (and the positives associated with that for health and the environment), promoting a better work-life balance and integrating social value and corporate social responsibility more fully into corporate culture and strategy.
5. Prioritise regional development that reduces regional/geographical inequality.
6. Address tax avoidance and evasion; increase corporate tax and regulate the corporate sector; increase taxation of 1% (but not by 1% themselves) and increase wealth taxation.
7. Address the misconceptions held by the top 10% about the welfare state: many in the top 10% are likely to be reliant on it for their future social and healthcare needs.
8. De-stigmatise public services – the top 10% should be able to use them without thinking less of themselves. This in turn will reverse some of the stigma of using public services.
9. Actively market public services to the top 10%: their societal value – including the social solidaristic function of universality, their successes, innovations, efficiencies and value for money compared to other systems. Link any perceived or imagined reduction in quality to the spending cuts of austerity. The flip side of that promotion, is to remind the public of the downsides of private services.

Sweden

1. Challenge myths about the consequences of equality: Explain how and when inequality is harmful, dispelling the myth that more equality would invariably lead to less productivity and less innovation.
2. Raise the lowest threshold: Mobilise support among top high-income earners for redistributive policies targeted at raising the lowest living standards.
3. No man is an island: Emphasise that the success of some, even the most entrepreneurial, is made possible by the efforts of others. Taxes pay for the infrastructure that enable private companies to make profit, it is therefore natural that profits are taxed.

4. Decouple inequality from integration: Inequality is considered to be primarily a problem of immigrant integration, which risks placing responsibility for inequality with 'the other,' – the migrant. While ignoring that inequality also hampers life chances for native Swedes, this view also risks turning inequality into a problem that will go away with time, almost by itself, as immigrants establish themselves in the labour market and society.
5. Create more common spaces: Meeting points where high-income earners are confronted with the realities and everyday lives of people with lower incomes. Address segregation experienced in schools. Create a compulsory civil service to ensure people from different backgrounds meet and become more aware of each other's living conditions.
6. Stop subsidising the rich: Reform tax deductions for private social and healthcare providers which reduce high-income earners' willingness to fund the universal welfare state.
7. Galvanise support for equal access to high quality education.
8. Strengthen vocational coaching: e.g., Set up role model projects in which university students help disadvantaged children with their homework, in neighbourhoods where few adults have attended higher education.
9. Combat school segregation by limiting "free" school choice: Challenge the notion of 'free school choice.' Geographic distance, unequal access to information and not least the enrolment system used by privately run for-profit schools, limit the scope of this choice. All schools should share the same enrollment system and have the same obligation to accept refugee children.
10. Highlight structural barriers to meritocracy. Challenge the notion that upward mobility is the sole responsibility of the individual. Highlight that some will encounter structural barriers while trying to move upwards, while privileged people have access to class elevators
11. Some efforts pay off, others don't. Acknowledging that people in working class jobs often work hard without being paid fairly is a good starting point for a conversation about the importance of ensuring decent working conditions and fair pay for all, regardless of skills or educational level.
12. Build on high-income earners' concerns for society. Remind them what it takes for the welfare state to function well, not least when it comes to delivering equal opportunities. Stress how demographic changes and an ageing population will put increasing pressure on the welfare state and increase the need for common resources, many of which will have to come from taxes levied on the rich.
13. Reintroduce taxation on inheritance and gifts (as well as a more redistributive taxation on assets and property). Promote reform using the logic of meritocracy, in which income from inheritance and other windfall sources are perceived as less legitimate than income derived from entrepreneurship and hard work.

Spain

1. Improve dissemination of information on public services for the top 10% taking advantage of the Spanish Tax Agency campaign for Personal Income Tax returns.
2. Improve dissemination of public spending program outcomes, based on the results of the 'Spending Reviews' Programme carried out by AIReF (Independent Authority of Fiscal Accountability).
3. The state should become more interventionist in protecting worker rights and regulating corporate behaviour, and thus go beyond simply redistributing revenue through public expenditures.
4. Promote the value and positive outcomes of education, healthcare and other public services, valuing and explaining their contributions to the well-being of society, through informative campaigns from institutions such as the School Board of Education or the sectoral conferences of decentralised public services.
5. Actively engage with and adopt new policy approaches, specifically in relation to regionalism, rural regeneration, and decentralisation. This should be a cross-department initiative, as government agencies work together to implement an alternative policy agenda to the status quo, which has tended to favour centralisation, urbanisation, and too narrow a vision of state responsibility.
6. Clarify and promote the link between tax revenue and the financing of public services and the welfare state, encouraging a positive culture of contributing to the financing of public services including the 'principle of generality' ('everyone' must contribute to the coverage of public services with a fair system based on ability to pay).
7. Address inefficiencies, tax evasion practices, legal loopholes, and fraud in the tax system, particularly among the highest part of the top 10%, and disseminate good practice at both a corporate and individual level.
8. Maintain and strengthen wealth taxes to improve the provision of equal opportunities, through tax reform that seeks to integrate income and wealth taxes with the criteria of social justice.
9. Specifically address and prosecute the mishandling of public funds and corruption scandals related to public services by public officials, private contractors and individuals. Increased public spending destined to address the effects of the pandemic should be carefully overseen so authorities do not divert funds and companies do not obtain unlawful benefits for other purposes.
10. Promote and, when needed, regulate corporate sector reform in order to ensure the respect of labour rights, improve working conditions, increase workers' participation in management, address in-company inequalities and avoid unlawful and unethical corporate practices.
11. Promote the fair use of public-private initiatives as a means of incorporating the private sector into a public discourse about inequality, introducing strict control and overview mechanisms, as well as updating the legislation regulating patronage and contributions to public resources.

Ireland

1. Taking into consideration the reliance in Ireland on multinational corporations (MNCs) and low value-added industries such as hospitality, where there is also a concentration of low-paid workers, provide greater support for the development of indigenous industries and skills training. These indigenous industries could relate to renewable energy, sustainable housing, food production, and other climate-friendly areas.
2. Increase investment in primary, secondary and university education, in which Ireland is lagging compared to other OECD countries. This investment will not only contribute to better life chances for all, as interviewees overwhelmingly supported, but also help generate tertiary economic activity.
3. Increase investment in academic research across subject areas (e.g., humanities and sciences) in order to create jobs and encourage local innovation.
4. Invest in pathways into medicine, nursing, engineering, and teaching for children from low-income households not just to address shortages but also to expand opportunities for social mobility.
5. Subsidise internships and lower-level positions that last for at least a year, are located in indigenous industries, and integrate training and career support.
6. Recognise the labour market share of SMEs in Ireland and their role in social mobility by improving access to training and creating stronger ties with universities.
7. Strengthen the welfare safety net by expanding access to public health services.
8. Expand access to non-profit, worker-owned, and community-based childcare schemes through subsidies and preferential treatment.
9. Cap rents in cities, disincentivise use of Airbnb, invest in social housing, and make access to financing to purchase homes cheaper (and closer to the EU average).
10. Increase investment in infrastructure outside of Dublin to incentivise businesses to relocate, especially to areas with lower economic growth.
11. Ensure carbon tax revenue goes directly into fighting climate change to instil trust in government expenditure decision-making and use of tax revenue.
12. Consider increasing taxes on the top 1% (income and wealth, e.g., second homes) in order to fund investment and strengthen the financial position of local councils, who can promote regional and local development.



This report develops our understanding of what the top 10% think should be done, if anything, about inequality in general and to help themselves and their families. As such, it informs the debate on how to increase support for investment in public services and how to create stronger ties across income groups. Both of which should generate greater solidarity in a post-pandemic world.

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TASC (Think tank for Action on Social Change) is an independent progressive think-tank whose core focus is addressing inequality and sustaining democracy.

