The ‘deserving’ rich?
Inequality, morality and social policy

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There is a long tradition in social policy of discussing and critiquing the notion of ‘deservingness’ in relation to ‘the poor’. This paper will apply such debates to ‘the rich’ to consider the grounds on which ‘the rich’ might be considered ‘deserving’ including ‘just deserts’ arguments around *rewarding* merit/hard work/effort etc and more consequentialist/economic arguments about providing *incentives* for wealth creation. The paper also considers arguments about deservingness based around the character and behaviour of the rich. As well as discussing the potential criteria for deservingness, the paper will also debate whether the *degree* of income and wealth gained by the rich is merited even if some differential rewards can be justified.

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Deservingness, policy discourse and policy development

In the history of social policy, the notion of desert is one that a number of writers have drawn on in attempts to establish the means by which social goods should be distributed. Broadly understood as representing equivalence between contribution and remuneration, desert is a notion to which we may have all appealed to on occasions. No one is keen for others to take the credit for their own work, particularly if the others concerned do not appear to have made any discernible contribution. However, when employing desert as a principle to inform discussions of social justice, questions become more complex. For example, what is to count as a contribution and a reward, who is to determine the deserving and the undeserving and what sanctions, if any, are to be made available to those who are deemed to 'have taken more than they have put in'?

What is notable is that the question of desert in relation to welfare has focused almost exclusively on 'the poor'. A wealth of literature is available that examines how social policy both draws on and helps constitute notions of which individuals and groups are deemed deserving. Familiar historical discourses of the deserving and undeserving poor (Beier, 1974, Hindle, 2004, Lister, 2004, Webb and Webb, 1927), exemplified by the Elizabethan Poor Laws, (Fraser, 2003) find expression in more recent discourses of scrounger, scrounger mania (Cook, 2006), 'chavs' (Connor, 2007, Harwood and Yar, 2006, Tyler, 2006) and the underclass (Gans, 1995, Welshman, 2006 and Mann, 1994). While there has been considerable discussion about questions of deservingness in relation to people in poverty, there has been much less discussion of these questions in relation to wealth. This is, no doubt, partly due to the fact that poverty is seen as a social problem requiring discussion of causes and potential policy responses whereas wealth is not seen as a social problem.

The purpose of this paper is to extend and test the application of the notion of desert to the problem of 'riches'. The arguments for doing this are three fold. First, if the principle of desert is to inform the development of social policy, then it follows that it should be applied to all members of society. Second, social policies inevitably involve the wealthy, particularly in relation to taxation policy, and some principles of fairness and justice are needed to guide these policies. Third, there are growing calls for the gap between rich and poor to be seen as a social problem, in its own right, distinct from poverty (Orton and Rowlingson 2007b; Wilkinson and Pickett 2009). These calls are coming at a time when inequality remains high in the UK both historically and in comparison to many other advanced economies and after more than a decade of a Labour government. It is therefore important to open this area up to debate in order, challenge some of the rhetoric, if not myths, regarding wealth and to devise appropriate policies supported by the public.

The Problem of Riches

The economic crisis of recent times has highlighted the salaries and bonuses of bankers, many of whom have also been blamed for causing or contributing to the crisis. Fred Goodwin, former Head of Royal Bank of Scotland (and knighted in 2004 for his services to banking), has become seen, by some, as one of the chief villains behind the credit crunch with his strategy of aggressive expansion eventually proving disastrous and leading to the near-collapse of RBS in the October 2008 liquidity crisis. Public discontent then erupted when news of his pension payout was revealed: approximately £700,000 per year which he was entitled to receive from the age of 50 only because he had been asked to leave rather than dismissed. Otherwise he would have had to wait until age 60 and would 'only' have been entitled to £400,000 per year. This generosity proved politically controversial as it appeared to provide 'rewards for failure'. There was considerable public discontent and Sir Fred's house was vandalised on March 25, 2009 by an anti-banking group known as "Bank Bosses Are Criminals"

Fred Goodwin is just one example but there are also more general issues in relation to city bonuses which, again, have been the subject of heated public debate. Despite the credit crunch and the resulting recession, city bankers were estimated to be paying out £7 billion in bonuses in 2009 (The Guardian 2009a*)*. Admittedly, this is half the amount paid in 2008 but given that the Treasury is predicting that public borrowing would surge to £175 billion to pay for the recession and bank bailouts there is an issue about whether any such bonuses should be paid. In the US Barack Obama announced, in February 2009, plans to limit pay (to $500,000) of employees within companies receiving state aid, such as AIG. And EU finance ministers in May 2008 debated a new policy to impose a super-tax on incomes above 500,000 Euros and to limit bonuses to 100% of annual salaries.

Yet another scandal around high earnings broke in April 2009, over a government-owned company, the Commonwealth Development Corporation (CDC), which invests in businesses within the developing world to promote growth, reduce poverty and show the private sector that such investment can be profitable. Its chief executive, Richard Laing, saw his pay rise from £383,000 in 2003 to £970,000 in 2007 (House of Commons Public Accounts Committee 2009). The CDC board justified this pay rise in terms of the positive financial performance of the organisation and also in terms of bringing pay structures for senior executives in line with fund managers in the private sector. The Commons Public Accounts Committee (2009: 5) concluded, however, that

> *The remuneration arrangements led to extraordinary levels of pay in a small publicly-owned organisation charged with fighting poverty, with the Chief Executive receiving £970,000 in 2007. Part of that pay reflects market-beating*

financial results, but it also reflects a dubious comparison with private sector 'fund of funds' businesses. Besides enjoying the security of working in a publicly owned body, CDC executives do not have to compete for money to invest. And the pay arrangements take too narrow a view of performance, with too much emphasis on financial performance and too little on poverty reduction.

So the question of deservingness, so long applied to people in poverty, is now coming to the fore in relation to the rich. And the issue is clearly linked with policy reform around the regulation of pay, perks and bonuses. What recent events have also revealed, is that in 'normal' circumstances, just how little, is known about the rich and the super rich and how scant is any scrutiny of their behaviour. To this end, this paper now briefly discusses who the rich are and then assesses the arguments used to establish their deservingness.

Who are 'the rich'?

There has been considerable debate over the conceptualisation, definition and measurement of poverty but much less debate about other groups (see Rowlingson 2008). Scott (1994) provides one of the few discussions on riches using the term 'wealthy' to describe people in a state of privilege. He states that:

> '*To be wealthy is to enjoy a standard of living that is greater than that normal for members of a particular society. If deprivation is the condition of life of the poor, 'privilege' is the condition of life of the wealthy.*' (Scott 1994: 17)

Scott (1994) and Giddens (1998) point to the ability of the rich to exclude themselves from society, a voluntary exclusion at the top which appears to mirror the 'forced' exclusion at the 'bottom' of the economic distribution. Lansley (2006) focuses on a group he labels the 'super-rich' and it may be useful to divide 'the rich' into further sub-groups, depending on their level of riches. This chimes with recent public opinion, studied by the Fabian Society which found that people made a clear distinction between the rich and the super-rich (Fabian Society 2009 forthcoming). But while most people accepted that these two groups existed there was less agreement about how they might be defined. In the qualitative part of the project, one respondent spoke for a number when he said:

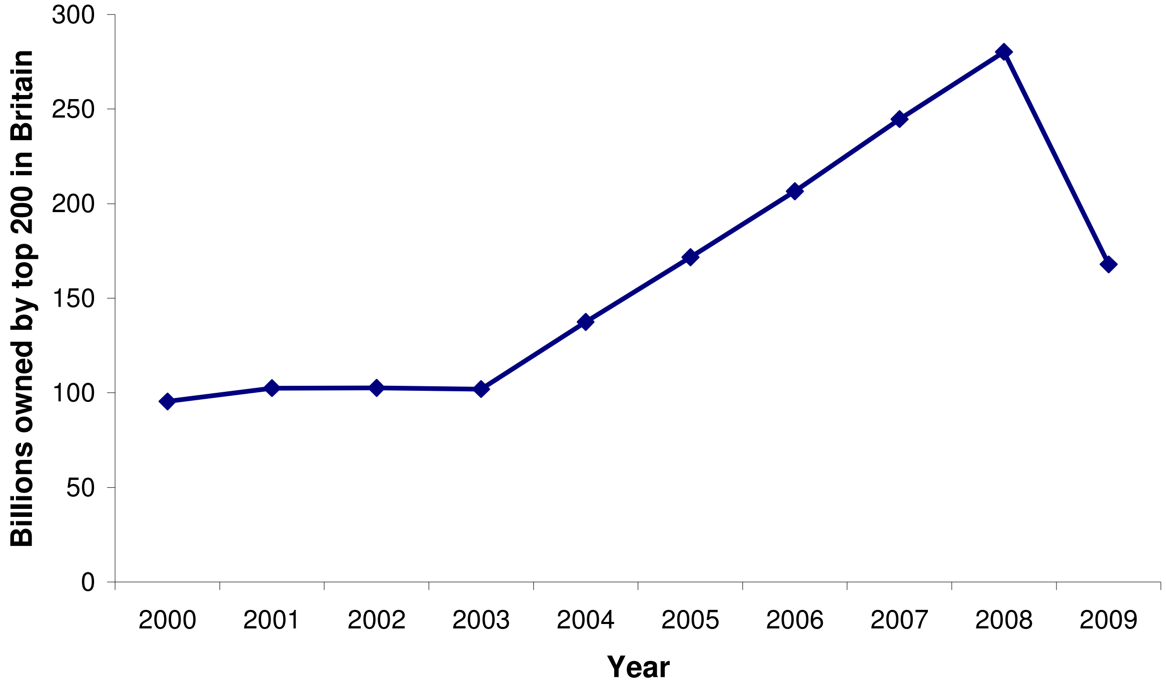
> *'Some people make hundreds of thousands a year literally and then have the big fat cat bonuses on top. If you're talking sensibly up to £100,000 then obviously it's a different story.'*.

So people earning £100,000 per year were seen by some as rich whereas people earning many multiples of that were seen as super-rich.

While there is no agreed conceptualisation or definition of riches, we do have some information about the changing distribution of income and wealth over recent decades. Hills (2004: 26) summarises the trends during this time as: *'the poor catching up on the middle to some extent, but the top moving away from the middle.'* The very top has therefore 'stretched' away from the rest. For example, research by Income Data Services has shown that the average earnings of the chief executives of the country's 100 largest listed companies increased from an average of £2m in 2004-5 to £2.9m in 2005-6, a rise of 43 per cent (BBC 2006). The typical boss (chief executive) of a top 100 company therefore earns 86 times more than a typical employee in one of these companies. More recent figures show that the average total pay of a FTSE 100 Chief Executive was £3.5 million in 2007/8, an increase of 11.4 per cent over the previous year, well above inflation and hardly in line with British economic performance over that time.

Atkinson and Salverda (2003) have used tax records to investigate the changing share of income held by the very top. They show that the share of income of the top 0.05 per cent (sometimes known as the 'top ten thousand') fell between the mid 1920s and mid 1970s but then grew rapidly such that by 1999, their share of income was higher than it had been in 1937.

Another source of data on the super rich comes from The Sunday Times (2009) Rich List which identifies the top 1,000 richest people living and working in the UK through publicly-available information on assets, whether land, property, racehorses, art or significant shares in publicly-quoted companies. Bank accounts and small shareholdings in private equity portfolios are excluded because there is no publicly-available information on these. In 1997, the combined assets of the then top 1,000 amounted to £98.99 billion. In 2008, the total assets of this group had risen to nearly £413 billion. The Sunday Times noted that the rich got much richer under Labour (from 1997 to 2008) than they ever did, in percentage terms, under the Conservatives from 1989-1997. But from 2008 to 2009, the wealth mountain of the top 1,000 suffered an avalanche and £155 billion slid away from them (see figure 1).



The very top of the heap in terms of wealth are the billionaires (see table1). In 1997, there were 'just' 16 billionaires in Britain (Sunday Times 2007). By 2008 there were 75 but this declined to 'only' 43 after the so-called 'bonfire of the billionaires' in 2008/9. The majority of the top 10 have come to live in Britain from overseas. Many Indian, Russian, Scandinavian and Icelandic multi-millionaires have moved to the London area, dubbed by some as 'Moscow-on-Thames'.

Table 1 Richest People in Britain, 2009 (Sunday Times Rich List)

Rank	Name	Total assets (£B)	Source of wealth
1	Lakshmi Mittal	10.8	Steel
2	Roman Abramovich	7	Oil, industry, football
3	Duke of Westminster	6.5	Property
4	Ernesto and Kirsty Bertarelli	5	Pharmaceuticals
5	Hans Rausing and family	4	Packaging
6	Philip and Tina Green	3.8	Retailing
7	Charlene and Michel de Carvalho	3	Inheritance/brewing/banking
8	Sammy and Eyal Ofer	2.7	Shipping/property
9	John Fredriksen	2.5	Shipping
9	Joe Lewis	2.5	Foreign exchange/investment
9	Kirsten and John Rausing	2.5	Inheritance/investment
9	David and Simon Reuben	2.5	Property

Source: http://business.timesonline.co.uk/tol/business/specials/rich_list/rich_list_search/

‘Just deserts’: identifying criteria of deservingness

Our conceptualisation, definition and measurement of riches is far from clear or agreed but we can, nevertheless, still question the basis upon which some people might deserve to be rich. This section considers three approaches to identifying criteria of deservingness. The first two have been mostly applied to people in poverty but are worth reviewing here as they enable us to identify basic criteria that we will apply to the rich in the next section.

One way of identifying deservingness criteria is to analyse how policy-makers have made judgements about deservingness in the past (mostly in relation to the poor). Van Oorschott (2000) reviewed a range of studies in different countries such as de Swaan’s (1988) historical analysis of welfare states in which he describes three criteria that seem to have existed in most welfare states for making judgements about deservingness. These are: ‘disability’ which equates to incapacity to work and so relates to notions of (lack of) control over, or responsibility for, one’s situation; ‘proximity’ refers to people being within a particular boundary (a geographical boundary or an identity-based boundary such as belonging to a particular group such as a church) that qualifies them for support; and ‘docility’ which relates to whether those in need behave in a passive, grateful, decent manner or are seen as aggressive, ungrateful and impudent. Cook (1979) came up with a similar set of criteria: level of need; locus of responsibility; gratefulness; and pleasantness. Locus of responsibility was found to be the key criterion for making judgements and Will’s (1993) American study similarly found that the key criterion was the degree to which the problems faced by those in need were seen as either within or beyond their own control. Having reviewed previous research, van Oorschott (2000) proposes five key criteria on deservingness as follows: control/responsibility; level of need; identity/proximity; attitude of those in need; and reciprocity.

A second approach to identifying deservingness criteria is through analysing public opinion. Once again, most of this has been in relation to the poor but can be used to identify criteria that might be applied to the rich. Taylor-Gooby and Martin (2008) analysed the 2006 British Social Attitudes Survey (BSA) and identified the reasons people gave for why some people live in need. Respondents were given a list of four possible explanations and asked to choose the one they most agreed with. The findings were as follows:

- 34 per cent simply said that it was inevitable that people were in need
- 27 per cent said it was because people in need were lazy
- 21 per cent chose ‘injustice’ as their explanation for why some people live in need
- 10 per cent thought that such people were unlucky.

There were, therefore, clearly mixed views about whether or not people in need were deserving (if their condition was due to ‘injustice’ or bad luck) or not deserving (if they were considered lazy). But a third of the population appear to sit on the fence here and just say that poverty is somehow 'inevitable'.

Van Oorschott's (2000) analysis of Dutch public opinion data analysed four criteria of deservingness: control, reciprocity, need and social risk and shows, in line with previous research, that the most important criteria when people make judgements about deservingness is control followed by identity and then reciprocity. He explained this by stating that if someone in need were to request support the first question that would be asked of them, to judge deservingness, is: why are you in need? Then they would be asked: are you one of us? And then: what have you done, or can you do, for us? His analysis also showed that some people are more likely to apply more/all these criteria. These 'selectivists' include older people, those with lower educational attainment and lower socio-economic status.

Recent qualitative research by the Fabian Society (2009) found that people did make judgements about the deservingness or otherwise of the 'rich' and 'super-rich' and they were less likely to consider the 'super-rich' (among whom they included premiership footballers, celebrities, bankers etc) to be deserving. But they tended to have much more sympathy for 'the rich', largely because they assumed the rich had worked hard to achieve their status. The authors also quoted research in sociology and psychology which suggests that people generally want to make sense of the world and believe that it is a just world (Benabou 2004, Jost 2003, Lerner 1980). It can be easier and possibly self-serving, particularly if you consider yourself to be 'successful', to believe that people in poverty deserve to be there because they are lazy or stupid or immoral and that rich people deserve their wealth because they are hard-working, intelligent and so on. People's positions in society are therefore explained and justified by their individual effort and characteristics rather than other factors such as underlying social structures or the luck of birth (Benabou 2004, Furnham and Gunter 1984, Jost 2003, Lerner 1980).

A final approach to identifying criteria for deservingness is through consideration of 'first principles.' A range of theories of distributive justice can be used to consider whether or not a particular distribution of resources is fair (Rawls, 1971, Roemer, 1998, Fitzpatrick, 2008). There is a huge literature on this from Aristotle, Hobbes and Rousseau to Nozick and Dworkin. In a review of these theories, Scott et al (2001) identified four key criteria. *Equality* is seen as a key presumptive principle of fairness meaning that people should receive an equal share of any resources unless there are particular reasons to deviate from that. One reason, often mentioned in distributive justice theories, is to reward particular contributions. The principle of *merit* is therefore acknowledged as a potential reason to deviate from equality. Another potential reason to deviate from equality is if some people *need* greater resources. A final principle mentioned by Scott et al (2001) is *efficiency* or aggregate benefit/wealth maximisation. Thus it is seen as a good thing if a society can become much wealthier but if this benefits some people more than others then there will be a trade-off between equality and efficiency.

Scott et al (2001) then carried out experimental research to test people's preferences for either equality or efficiency where there is a trade-off. Some people (26 per cent) were strict egalitarians and were reluctant to trade-off equality against efficiency. Similarly 8 per cent supported a strict efficiency model leaving the majority, about two thirds, to make trade-offs, depending on particular circumstances. One of these circumstances was the importance of merit. Preferences for equality or efficiency were heavily mediated by assumptions about merit among women particularly. Where rewards were largely seen as due to merit, women tended to prefer efficiency over equality. Where rewards were not the result of merit, women tended to prefer equality over efficiency.

Applying deservingness criteria to the rich

This section draws on the three approaches in the previous section to set out a series of arguments by which the rich might be judged deserving or undeserving. These fall into three broad categories.

The first set of arguments revolves around the idea that it is right to *reward* merit/hard work/effort. This is sometimes referred to as 'effort theory' or 'contribution theory' and includes the idea that the rich have a right to their monetary rewards due to the nature, quality and quantity of their individual effort. Hard work, particular talents, intelligence, education, training and skills are all seen as deserving of reward. Other factors such as the level of responsibility in a job, the related stress and the risks taken are also used to justify high rewards. These arguments relate to 'merit' from the distributive justice literature and notions of 'control/responsibility' and reciprocity/contribution from the empirical literature.

A similar set of arguments relate to consequential or economic arguments but rather than seeing higher income as a reward, it is seen as a necessary *incentive*. Such incentives are seen as needed in order to encourage people to create wealth. This is seen as important because the wealth created will then trickle down to benefit others.

A final set of arguments relates to the *character* or behaviour of the wealthy. These arguments are linked to views about identity/proximity and also reciprocity. If the rich are feckless with their money and contemptuous of other people then they may be seen as less deserving. On the other hand, if they behave soberly and generously both in spirit and in practice, perhaps ‘giving something back’ through charitable work and donations, then they may be seen as more deserving.

The next sections of this paper consider each of these arguments and related empirical evidence where relevant.

Rewarding merit/hard work

As argued earlier, people in poverty are seen as undeserving if they are seen as ‘responsible’ for their situation, for example because they are lazy or fail to take opportunities to do well. Rich people may therefore be seen as deserving if they are ‘responsible’ for their situation, for example, because they have taken opportunities to do well. This section will argue that much of the wealth of many rich people is due to inheritance and other forms of unearned income. People with unearned wealth cannot claim to be ‘responsible’ for (and therefore deserving of) their wealth Even where some rich people derive their wealth from earnings, many of them are unlikely to have achieved their occupational success if they had not been born into relatively affluent families who supported them in many ways. If we then discount unearned wealth and family background, we are left with those who have made the move from ‘rags to riches’. Claims to be completely ‘self-made’ often fall under close scrutiny though rare exceptions, like Sir Alan Sugar, provide examples to somehow prove the rule. But even where people achieve occupational success purely on their own merit, there are still problems with arguments about rewarding merit/hard work due to difficulties defining exactly what should be rewarded and how we might go about it. And even if we can come to some agreement on this, there are still arguments against using the principle of merit as a strong basis for reward. Regardless of the arguments about the principle of merit, there appears to be little correlation between reward and merit/hard work in Britain today.

Many rich people owe their position to inheritance. We know this from studies estimating the effect of bequests on the transmission of wealth inequality. Early studies analysed the values of the estates of fathers and sons. Wedgwood (1929), for example, estimated that one third of the wealthy owed their position entirely to inheritance. Harbury and Hitchens (1979) found that 67 per cent of the variance in a son’s estate was explained by the variance in a father’s estate. But these studies do not prove that inherited wealth is a direct source of inequality because wealthy fathers may pass on other advantages in life which account for their sons’ later wealth. Nevertheless, theoretical models by Wilhelm (1997) and empirical work by Menchik (1979) support the conclusion that inheritance is a major source of inequality. And other studies (e.g. Atkinson 1971) have also found that a pure lifecycle model (that is, with no bequests) is unable to explain the upper tail of the wealth distribution. Hence bequests appear to increase inequality and represent what Stuart Lansley (2006) has called, a ‘cycle of privilege’.

Wealth is not the only type of capital that people may inherit from parents. Social and cultural capital also contributes to the abilities of people from better-off families to succeed in life. In the mid 1990s, Johnson and Reed (1996) reached the conclusion that the best way to become rich was not so much through individual effort and hard work but to choose your parents wisely: '*the economic standing of parents is an extremely important determinant of where their children end up in the income distribution'*. The advent of a Labour government in 1997, together with the increasing availability of panel data, brought a new wave of policy and research interest into this field which confirmed that children from less advantaged backgrounds have poorer outcomes as adults (Hobcraft, 1998; Gregg et al., 1999; CASE and HM Treasury, 1999). Thus 'brute luck' (in terms of whether a child is born to a rich or poor family) plays a major role in determining socio-economic life chances. There is no evidence that, after over a decade of a Labour government, social mobility has increased.

Another source of unearned wealth lies in land and share ownership. People who own property, land and shares may see the value of these assets increase through no effort of their own but simply due to national and international shifts in the housing market and the stock market. Lansley (2006) also argues that unearned wealth has increased due to a growing and highly lucrative tax avoidance industry. And a further source of wealth in recent years, he argues, is '*the growing trade in money, divorced from actual production, service delivery or even banking*' (Lansley 2006: 53)

Of course, some people derive their wealth through paid work and the main argument here is that people deserve/merit more than others if they work harder. This is because hard work is seen as a positive social good and therefore deserves a positive reward. However, there are some problems with operationalising this general view. For example, what actually constitutes hard work? A manual worker on a building site may have hard physical work to do. How does this compare with hard non-manual labour? Are some kinds of work harder than others? How can we measure hard work? One way of doing this might be through the number of hours worked or the degree of 'effort' put in. But what if one person has to put in twice as much effort as another to get the same result? Is it the output/productivity rather than the input/effort that we should be rewarding? How can we measure an individual's productivity if they are part of a team which all contribute to the output? While there may be widespread support for the general principle that hard work should be rewarded, it is not straightforward to put this principle into practice.

Evidence of the hours worked by different occupations (Begum, 2004) shows that people in management and senior professional occupations in 2003 were most likely to be working more than 45 hours per week (19 per cent) but such long hours were also fairly common in the skilled trades occupations (17 per cent) and among process plant and machine operatives (15 per cent). There were, therefore, relatively minor differences between these occupations in terms of hours worked, but there were major differences in terms of average weekly earnings from £748 per week for management and senior professionals to £412 per week for skilled trades and £374 for the process plant and machine operatives. The management and senior professionals were therefore receiving double the salary of the machine operatives but not, it seems, working double the hours (Begum 2004). There is also a question mark about the intensification of the hours worked. Someone on a production line has to maintain a constant level of work while on that line. Managers and senior professionals, however, will have more flexibility to take breaks and vary the pace of their work. Such workers may have a long-hours culture but there is not necessarily any evidence that this leads to higher productivity (Kodz et al, 2003)

There may be a difficulty in clearly defining ‘hard work’ or ‘individual productivity’ but both empirical and philosophical studies suggest that people deserve more for good performance. Research shows, in practice however, that there is currently very little link between top pay and company performance. Ramsay (2007) for example, cites evidence from a survey by Kepler Associates, a UK management consultancy company, which actually found an inverse relationship between pay and performance. They found that bosses in poorly performing companies were paid an average of £175,000 per year *more* than those in the top performing companies. Of course, it may be the case that those at the top of poorly performing companies have been brought in specifically to turn the company around and so they may have been offered particularly high salaries to provide an incentive to take on such a job. However, other evidence confirms the lack of a link between pay and performance. For example, CEOs’ earnings were boosted massively in the late 1990s due to the increasing value of share options (Income Data Services, 2009) which was not due to individual productivity but a combination of low interest rates and general stock market speculation. Those at the top of the private sector today earn far more than their peers in the past and yet it seems unlikely that this is because today’s chief executives are so much more hard working or productive than those in the past. The difference is due to the very different economic and political climate within which they now work as a result of economic liberalisation and deregulation.

Rather than receiving rewards for success, those at the top more often seem to receive rewards for failure, as exemplified by Fred Goodwin (see above). Further evidence of this was the news, in February 2009, that non-executive directors in the FTSE 100 companies won an average 6.3% pay rise in the previous year, despite widespread profit warnings, plunging share prices and emergency fundraisings (IDS 2009a)

Another element of ‘merit’ that is often considered deserving within this set of arguments is that we should reward people who have particularly *important* jobs. Once again, we need to consider which jobs are ‘important’. Caring for older people, disabled people or children could be seen as very important and yet these are among the lowest paid occupations. And, indeed, many people, mostly women, provide this caring work for no pay at all.

Another criterion for higher rewards relate to particular *skills or talents*. Yet again, we need to question what kinds of skills we wish to reward: caring skills; physical skills; mental skills; people skills? In recent years, sporting and entertainment skills have been rewarded more and more generously with footballers, TV stars and minor celebrities receiving increasingly higher salaries. For example, Jonathan Ross reportedly earned £6 million per year from the BBC in 2007/8. Terry Wogan received £800,000 (National Audit Office 2009). A survey conducted by The Independent in 2006 found that the basic wage for Premiership footballers' was over £600,000 per year (though top footballers like John Terry and Steven Gerrard are earning around £10 million per year). Wages in division 2 were 'only' £50,000 per year.

Another possible criterion in relation to reward might be the degree of *unpleasantness or danger/risk* in a job. Evidence suggests that the most physically dangerous jobs are manual jobs, particularly in the Construction industry which has the largest number of fatal injuries of the main industry groups. Statistics quoted by the Health and Safety Executive (2009a) suggest that in 2007/08 there were 72 fatal injuries in the Construction industry giving at rate of 3.4 per 100 000 workers, the highest rate in any main industry. The rate of major injury in Construction is also the highest of any main industry group (599.2 per 100 000 employees in 2007/08). While managers and senior professionals may complain of executive stress it is people doing health and social care work who actually suffer most occupational stress (Health and Safety Executive 2009b). And, generally, it is people lowest down any occupational hierarchy who suffer the most negative stress (Wilkinson, Marmot). Managers and senior professionals also sometimes claim that their jobs are risky but the inclusion of 'golden parachute' clauses into contracts usually takes any real risk out of the picture/

The other side of the coin from an unpleasant or difficult/dangerous job is the job which is enjoyable, challenging, stimulating and fun. Jobs with a high degree of autonomy and flexibility as well as some creative challenge, linked to personal interest, fit within this category and should, perhaps, be paid less than other jobs due to the intrinsic rewards which may compensate for lower extrinsic rewards. It is highly likely that many professional jobs provide a higher degree of intrinsic reward than other forms of work.

One way of assessing the deservingness of different occupations is to ask people if they think particular occupations are 'overpaid'. Such questions have been asked on a couple of studies, most recently, a YouGov poll (Fabian Society 2009 forthcoming) carried out in the autumn of 2008. Members of the public were asked which groups of people were overpaid. The findings were as follows:

- Virtually everyone (96 per cent of the public) thought that premiership footballers were overpaid.
- City bankers came next with 87 per cent saying they were overpaid.
- Then lawyers (77 per cent),
- Then MPs (71 per cent) and;
- Finally estate agents (55 per cent).

There are also some very interesting, if rather more dated, statistics on attitudes to earnings for different groups, analysed by Hills (2004). His analysis used 1999 data and shows that people do think that some occupations should receive higher pay than others. The criteria people apply appear to relate to level of education and skill required for a job. The importance of a job and level of responsibility may also be a factor. But while there was support for differential salaries, Bromley (2003) points out that some of those on higher incomes are seen as being very overpaid. For example, people thought that the heads of large national corporations 'deserved' to be paid £75,000 but thought that they actually earned more than this (£125,000). The actual salaries of this group (at £555,000) were far more than people thought they deserved. Another way of analysing this data is that people thought that company directors might deserve to earned about 6 times as much as an unskilled worker would, rather than the 12 times that was perceived to exist and the 43 times ratio that actually existed. These findings suggest that people feel that certain jobs do merit higher rewards but nowhere near as high as currently exist.

Table 2.3: perceptions of annual earnings 1999

	What people think cases usually earn	What people think they *should* earn	Actual average earnings
Shop assistant	£9,000	£12,000	£10,300
Unskilled factory worker	£10,000	£12,000	£13,100
Skilled factory worker	£15,000	£18,000	£18,000
Doctor (GP)	£35,000	£40,000	£50,800
Solicitor	£50,000	£40,000	£37,900
Owner-manager of large factory	£60,000	£50,000	n/a
Cabinet minister	£60,000	£45,000	£94,200
Appeal court judge	£80,000	£50,000	£139,900
Chairman of large national corporation	£125,000	£75,000	£555,000

Source: Hills, 2004: 34

In the 19th Century, JP Morgan, one of the richest and most powerful men in America, argued that top executives should earn no more than 20 times the pay of the lowest paid company workers (quoted in Lansley 2006). This is well above the ratios that the general public believe to be fair but far lower than the ratios that actually exist in many companies.

The public clearly think that some jobs should be paid more than others, perhaps because they are assuming that some are more difficult, important, require more skill, responsibility and so on. Public support for 'merit' and 'equal opportunities' also seems strong but we should remember the warning from Young (1958) who argued that the resulting 'meritocracy' may not live up to the apparent ideal that many people currently consider it to be. Those at the top would feel completely entitled to their higher rewards and more able to condemn those at the bottom for being undeserving. The gap between rich and poor would be likely to widen still further given the apparently more just basis upon which resources are distributed. Given more recent evidence about the impact of inequality on a range of health and social measures (Wilkinson and Pickett 2009) such increases in inequality would be highly dangerous.

Incentivising wealth creation

Another set of arguments around deservingness criteria are related to the idea of rewarding merit but come from a slightly different perspective. These arguments suggest that people need *incentives* to work hard (rather than just rewards for having done so). Without such incentives, it is argued, people would not work hard and this would be detrimental to all because, it is claimed, the wealth created by such hard workers, trickles down to the benefit of all. Each of these arguments will now be considered in turn.

First of all, would top earners work less hard if they were paid less? Do they need financial incentives? While monetary rewards certainly play a part in motivating people, there are a variety of other reasons why people work: intrinsic enjoyment; social aspects; status and so on. It seems likely that once a certain threshold has been reached, extra earnings may still play a role but are not going to be as important as other factors. It might be better, therefore, to substitute monetary incentives with other incentives such as a better quality working environment, better terms and conditions, better work-life balance.

There is also very little evidence that higher earnings provide incentives to work harder. Ramsay (2007) points out that Japanese CEOs earn less than a fifth of their US peers and have higher marginal tax rates but there is no evidence that Japanese CEOs work less hard or less profitably than American ones. In 2001, a US CEO was paid 31 times an average worker. It was 25 times in the UK, 15 times in France, 13 in Sweden, 11 in Germany and 10 in Japan (Ramsay 2007).

Despite this evidence, concern about damaging incentives to work surfaced recently in March 2009 when the government introduced a 50 per cent income tax rate for earnings above £150,000. Some commentators even suggested that there would be a mass exodus of high earners (The Guardian 2009b). The main place mentioned as a potential destination was Switzerland as it is one of the few countries in Europe with lower tax rates for such earners. But if high earners are affected so strongly by such incentives, why haven't they all gone to Switzerland or America already? Similarly, we might expect a high proportion of our executives to have come from Sweden or France or other countries with higher tax rates but Isles (2003) found that 86% of FTSE 250 Chief Executive Officers (CEOs) came from the UK and that most businesses did not recruit from overseas.

So incentives may play a role but it may be a limited one. It is vitally important, however, that any incentives are the right incentives. This has been a subject of major debate following the credit crunch with a recent Treasury Select Committee report (2009) blaming bonuses for encouraging short-term risk-taking for quick profit above more long-term goals. Mervyn King, the Bank of England Governor argued, in front of the Treasury Select Committee, that city bonuses were, *'a form of compensation that rewarded gamblers if they won the gamble but there was no loss if you lost it.'* (Guardian 2009a). The Treasury Select Committee (2009b: 3) agreed with him in their conclusion that: '*bonus-driven remuneration structures encouraged reckless and excessive risk-taking and that the design of bonus schemes was not aligned with the interests of shareholders and the long-term sustainability of the banks*.'

Although much current debate revolves around city bonuses and their role in the credit crunch, the role of stock options in private industry is also highly pertinent here. Many top executives in the 1990s were offered share options in addition to their salaries, as an incentive to improve company performance (which would then increase the value of their shares). However, the best way to improve the value of shares was to 'downsize' the company which gave the impression to the stock market that the company was leaner and so raised the share price. Directors walked away with huge bonuses and workers lost their jobs and yet there is no evidence that such practices actually improved the productivity of these companies (Lansley 2006).

So incentives play a limited role and some kinds of incentives lead to unproductive or even destructive outcomes. The rationale for providing greater incentives for people at the top is that they will then create wealth that will 'trickle down' to those at the bottom. From this position it is argued that capital is best left in the hands of rich people, rather than the government (or spread more widely), as it is these individuals who would be more likely to save, invest and create wealth for the benefit of the population as a whole. This was an argument that was deployed in support of the Gladstonian Fiscal Constitution, resurfaced in the Reagonomics and Thatcherism of the Eighties, and what Jessop (1999) describes as the shift towards a Schumpeterian postnational welfare regime, where it is entrepreneurs (Unternehmergeist - entrepreneur-spirit) who, when given access to capital, are seen as the drivers of innovation and as such considered vital to securing economic prosperity. However, apart from big questions to be asked regarding what is the source of wealth in a society, even if one was to assume that it is the wealthy and entrepreneurial who are the source of wealth, the evidence presented above on the changing distribution of income and wealth suggests that there has been a 'trickle-up' rather than a trickle-down in recent decades. And Lansley (2006) argues that many of those at the top have not created new wealth but have merely grabbed existing wealth from others. The privatisations from the 1980s onwards transferred wealth from the state/nation as a whole to particular individuals within the country. Another way of making (huge amounts of) money in the 1990s was to acquire a company (often through a hostile takeover) and then asset-strip it. This was much easier than creating a new company and was facilitated by the deregulation of markets and easier access to credit. Private equity firms (dubbed 'vulture capitalists') have, more recently, been at the vanguard of this gold rush.

Another source of wealth has been in complex financial 'products' such as derivatives. Lansley (2006: 61) quotes one city worker who admitted, *'when I first went into the City, I could not believe that anyone would want to pay me so much for creating nothing.'*

And a final example given by Lansley (2006) of wealth transfer rather than creation was the decision by many companies in the 1990s to take pension contribution holidays which increased their short-term profits, pushed up their share prices to the advantage of the top executives and share-holders but ultimately led to crisis for many final salary schemes.

If our goal is truly wealth creation then it might be more effective to raise taxes on higher earners and invest the resulting revenue in health, education, training, research and other areas. Such investment might actually increase productivity more than higher wages at the top. Studies are not conclusive but there is evidence that countries with higher levels of inequality actually have lower levels of productivity (Corry and Glyn 1994).

Character

A final set of arguments revolve around whether or not the rich are deserving on the basis of being good citizens and using their wealth in positive ways (e.g. through philanthropy). Some of the rich are involved in more altruistic acts of generosity. Christopher Cooper-Hohn is at the top of the Sunday Times Giving List 2009 with recent donations of £462 million to AIDS/HIV, education and humanitarian causes. A large proportion of donations from the wealthy, however, tend to find their way to high profile art and cultural institutions such as the National Gallery's Sainsbury

Wing. Overall, however, the rich pay less to charity, as a proportion of their income, than those on low incomes (Banks and Tanner 1997).

It is here that there are some important similarities and differences between the application of the notion of desert to the poor and to the rich. An alleged 'culture of excess' at both ends of the economic scale can lead to disapproval. Lauded and celebrated across a range of media, the conspicuous consumption of the super-rich, spending fortunes on yachts, planes, football clubs and lavish holidays, also questioned by some, are not subject to any kind of state sponsored disciplinary regime. In sharp contrast, historically, the alleged and far less demonstrable excesses of the 'poor' have been and continue to subject to far greater disciplinary regimes , where the onus has always been placed on individuals to demonstrate that they are worthy and therefore deserving of support (Hindle, 2004). However, with reference to the rich, although a perceived virtuous character may make the possession of wealth in the hands of a few individuals more palatable and socially acceptable, the generosity of high profile individuals such as Sir Elton John, Bill Gates being notable examples, it is more likely to be the bad character of individual and groups that brings in to the question the desert of their wealth and acquired status.

However, until recently, even when 'wrongdoings' have been identified amongst rich, the response has appeared to be less than damning. The Fabian Society (2009) found that although people were similarly critical of tax avoidance by the rich as they were of benefit recipients turning down job offers, those at the top were not particularly blamed for tax avoidance as it was seen as the government's fault for not closing loopholes. Those at the bottom, however, tended to receive more of the blame for their own attitude and behaviour. These views were informed by a belief that people at the top were contributing more than those at the bottom and therefore deserved less criticism. Those at the top were seen as trying to retain 'their' money whereas those at the bottom were taking advantage of 'others' generosity.

However, as noted above, attitudes here may be changing in light of the 'credit crunch' and the scandal over MP's expenses. In May 2009 the whole political class came into disrepute and leading to the unprecedented resignation of the Speaker of the House of Commons, Michael Martin. The public's 'understanding' over the action of the wealthy appears to have been exhausted. Revelations included former Conservative ministers, Sir Peter Viggers and Douglas Hogg who respectively claimed expenses for a floating "duck island" in his garden and for cleaning his moat. Another MP claimed for a house that was neither in London, nor her constituency. Two MPs continued to claim for mortgage interest payments, after the mortgages had been paid off - they blamed that on accounting errors. There were also some claims for very small items - including a trouser press, a bath plug and some Hob Nob biscuits. There are also more serious claims in which some MPs have sold a property shortly after claiming the costs of doing it up – and keeping the profit (i.e.

not paying Capital Gains Tax). One of the reasons given in defence of some MPs' extravagant claims was that their earnings (from April 2009, backbench MPs earned £64, 766) were relatively low compared to other lines of work they might have gone into, and compared to MPs (or their equivalent) in other countries. They felt they deserved more.

What is the role of social policy here?

The notion of desert can offer recognition of the interdependent nature of society and the argument that individual self-interest might be at the cost of other people. If a desert argument is to be developed, and the authors of the paper are not necessarily suggesting that it should, then at the very least, the notion should apply to all members of society. It has been argued that even within the rationale provided by exponents of a notion of desert, it is hard to justify the vast sums of income and wealth that individuals receive and own. This begs the question, as to who does deserve the income.

It is at this point that questions regarding the source of wealth and income need to be reconsidered and arguably play a larger part in discussions of social policy, where both the production and distribution of resources are part of any analysis of social justice. In this respect, one does not need to step outside a discourse of desert to recognize that, whether it is the 'spontaneous' incomes of property owners and share holders or the industrious endeavour of entrepreneurs, there are unearned, social created aspects of this wealth (Daunton, 2007).

Social policy could play a major role here through a number of mechanisms. A more progressive income and wealth tax regime, for example, could help to build a system where contributions made are fairly rewarded. Inheritance tax would seem an obvious mechanism for reducing unearned wealth but the Labour government most recently (in October 2007) reduced rather than increased inheritance tax – benefiting the top 5 per cent of wealth holders (Prabhakar et al 2008). This appeared to be a purely political reaction to the Conservative party proposals to raise the threshold to £1 million. This proposal was widely praised in the media and seemed to have public support. Gordon Brown, it seemed, decided against calling an election at that point (a decision he may now regret) and, instead, hastily introduced his own plans to make the inheritance tax thresholds more generous.

As far as income tax goes, however, the growing pressure on public finances, led the government in March 2009 to introduce a new rate of 50p income tax rate for earnings over £150,000. This has, however, already been heavily criticised as claims are made that it would drive talent from the City, discourage entrepreneurs, will actually result in a loss in revenue as efforts are doubled to avoid tax and represents an unnecessary intervention in the working of the market (Institute of

Fiscal Studies, 2009). It would appear that, as Beier (1974) noted with reference to the laws of Elizabethan England, though equally applicable today, it is only the rich who are to be permitted the unbridled pursuit of self interest. However, even the claim that premier league footballers will attempt to avoid the new tax rate and consider a move to a league with a more favourable tax regime (Sunday Times, 2009), does not seem to have dampened the reception of the higher tax rate by the public, where a poll undertaken on behalf of the Times showed 57% of those questioned stating that the 50% tax on income for those earning over £150,000 was a positive measure (Populus, 2009).

So if the exponents of the Laffer curve are to dismiss higher tax rates for the highest incomes on the grounds of the alleged fight or flight of the rich (hardly the moral high ground), one alternative is to limit the size of the incomes that individuals receive in the first place. The obvious refrain would be that this represents an intervention too far into the workings of the market. But as highlighted in this paper, under closer scrutiny the Reward and Incentive arguments for such high rates of pay are spurious at best. What one is left with is the value that 'the market' is willing to pay. However, executive pay is not currently determined by the market. Remuneration committees, described by the Treasury Select Committee (2009b) as 'cosy clubs', decide on top executives' pay. Ramsay (2007) cites evidence from a *Guardian* survey that, in 2001, just 392 people sat on the remuneration committees of 98 of the largest UK companies. This small group belong to similar networks and groups. She argues that reciprocity rather than a real assessment of contribution or performance plays the major role in setting pay. The Treasury Select Committee (2009b) argue for a widening of the pool of people sitting on these committees. It could go much further in recommending companies to introduce voluntary ratios limiting earnings differentials. Some Japanese and European companies already do this (quoted in Lansley 2006). The government could be even bolder and propose a maximum wage (Ramsay 2007). The advantage of having some kind of maximum wage or required ratio for earnings would be that original income would be set in a fair way rather than relying on tax to redistribute from rich to poor. Once taxes are required to achieve social justice, issues of tax avoidance and evasion become difficult and people can feel aggrieved that 'their' money is being taken and given to another group who may then be considered 'undeserving'. Such objections are more difficult to make if original income is fair. Although some will claim that a maximum wage is a step too far in terms of interfering with 'the market', this principle has been widely accepted in terms of the minimum wage so it is difficult to reject the idea of a maximum wage on this principle alone.

The government, however, often seem reticent to introduce higher taxes on high levels of income and wealth or 'interfere' in this end of the market. Perhaps they are concerned about public opinion on this issue? But recent research by the Fabian Society (2009) suggests considerable public support for policy change here. A YouGov poll carried out by the Fabians found that:

- 70% agreed that ordinary employees should be represented on compensation committees to decide how much top executives get paid
- 56% in favour of making executives of failed companies pay back their bonuses from the last two years
- 39% supported the principle of a maximum wage – the most popular option being over £250,000
- 76% support a top rate of tax of 45% for earnings over £150,000
- 59% support a top rate of tax of 50% for earnings over £150,000

Conclusion

This paper has outlined a range of possible criteria for deservingness among the rich. For example, we might want to reward important, hard work, effort, productivity, skills and danger. But many of the rich gain their wealth through unearned sources of income and wealth and not through hard work etc. Many of those who do achieve occupational success have benefitted from the social and cultural capital of their family backgrounds. Even where some people rely purely on their own merit, there are debates about what constitutes important, hard work and productivity etc. And even if we could resolve these debates, there is still a question about the degree of differential reward that might be merited and the potential dangers of any resulting meritocracy.

Arguments around incentives and wealth creation were also discussed. Incentives are seen to be important but these need to be the right incentives and there seems little justification for incentivising those at the top more than those at the bottom because there is no evidence that those at the top create more of the wealth or that the resulting wealth trickles down to the benefit of those at the bottom.

Arguments around character were considered last and the rich could be found to be less deserving than the poor on these grounds as they give less money to charity, proportionately, than the poor. There are also numerous examples of ‘feckless’ excessive spending among the rich and super-rich.

As noted in this paper, when it comes to the question of desert, social policies have largely focused on the poor and how to ensure that the undeserving are not rewarded for their alleged indigence and fecklessness. However, recent scandals have thrown greater light on excesses at the top and while the public still seem to be explaining these in terms of individual characteristics such as greed, there are also calls for systems to change and reflect a fairer distribution of resources and at the very least, question the political choices that have been made in recent years at a national and international level to enable the accumulation of vast wealth in the hands of the few. Proposals to reform the tax system and policies around original income can be based on clear principles of distributive justice which largely chime with what we know of public opinion on this issue. This debate, so often characterised as deriving from a 'politics of envy' is simply a 'politics of fairness'.

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