

## A UK ‘Basic Income’? Testing the Limits of Universality

*Proponents of Basic Income (BI) argue that BI schemes can deliver universal, unconditional support more effectively than conventional social security programmes. This paper examines that claim. Consideration is given to the form BI schemes can take, and their attractions, before turning to the concerns. These include issues around popular support, fiscal feasibility, and the potentially negative distributional outcomes for those lower down the income distribution or who are reliant on targeted programmes in key areas like housing, childcare, disability, and in-work support – particularly if a BI scheme displaces (or partially displaces) such programmes. There have been important evaluations. Nevertheless, further work is needed before firm conclusions on the merits of BI schemes can be reached. In the meantime, as many States, including the UK, implement massive income replacement schemes in response to the Covid-19 pandemic, calls to adopt simpler, more universal BI-type schemes can be expected to grow. In the UK, much of the focus will be on the performance of Universal Credit.*

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### 1. Introduction

Basic Income (BI) – variously described as a Universal Basic Income, Citizen’s Income, Social Dividend, Guaranteed Income, or in other similar terms - is a simple idea. According to the Basic Income Earth Network (BIEN), the leading BI international network, it can be defined as a “periodic cash payment unconditionally delivered to all on an individual basis, without means test or work requirement”.<sup>1</sup> The concept has a long history reaching back to the 16<sup>th</sup> century<sup>2</sup>, and even further to schemes in the Islamic world.<sup>3</sup>

The idea is attractive. On the face of it, universal, unconditional payments made from BI programmes could offer significant advantages over the targeting, conditionality, and means-testing that feature in many social security schemes. As well as obviating (or at least reducing) the need for complex legal infrastructures, adjudication, and administration, and the unwelcome baggage of “sanctioning” as an adjunct to conditionality and labour activation<sup>4</sup>, proponents say it can offer a secure basic income cushion for all, irrespective of their resources and level of labour market participation. Recipients can then build on it, whether through employment, self-employment, entrepreneurship, or other creative activities. For some advocates, such “security” is increasingly needed in the face of challenging labour market conditions, underemployment, the threat to jobs from automation and new technology<sup>5</sup>, disruptions like the 2007/2008 financial crisis and recession, and the Covid-19 pandemic.

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<sup>1</sup> BIEN “About Basic Income”: <https://basicincome.org/basic-income/> last accessed 4 April 2020.

<sup>2</sup> BIEN “History of Basic Income”: <https://basicincome.org/basic-income/history/> last accessed 4 April 2020.

<sup>3</sup> There is evidence of income payment schemes for needy people from at least 632 CE and the Rashidun Caliphate of Abdullah ibn Abi Quhaafah (Abu Bakr), father-in-law of the Prophet Muhammed. Vestiges of that legacy may still be seen in welfare measures like Pakistan’s *Zakat* and *Ushr*; G. Clarke *Pakistan’s Zakat and Ushr as a Welfare System: An Islamic Public Welfare System in a Developing Country* (Baltimore: University of Maryland Press, 1985).

<sup>4</sup> On the many issues around conditionality and sanctioning, see P. Dwyer “Sanctions within social security” (2018) 25 *JSSL*, Issue 3, 142-157; and P. Dwyer “Citizenship, conduct and conditionality: sanction and support in the 21<sup>st</sup> century UK welfare state” in M. Fenger et al (eds), *Social Policy Review 28: Analysis and debate in social policy 2016* (Bristol Policy Press, 2016), pp.41-62.

<sup>5</sup> D. Susskind, *A World Without Work* (London: Allen Lane, 2020). The scale of displacement of jobs from automation and new technology is a highly contested subject. See, for example, D. Autor, “Why Are There Still So Many Jobs? The History and Future

The debates about BI have been intensifying in different countries, including Finland where there has been a limited basic income “experiment”<sup>6</sup>, and in the UK where three political parties – Labour, the Green Party, and the Liberal Democrats - included BI proposals, or variants, in their 2019 General Election manifestos<sup>7</sup>. In Scotland, the Scottish National Party has supported the introduction of a Citizens Basic Income (CBI), and the Scottish Government is assisting trials by four councils.<sup>8</sup> The Scottish Cabinet Secretary for Social Security and Older People, Shirley-Ann Somerville, informed the Scottish Parliament that the Secretary of State for Work and Pensions was co-operating in the trials.<sup>9</sup> One of the interesting features of the Scottish project is the attention being given to the *political* feasibility of a CBI scheme.<sup>10</sup>

Unsurprisingly, the need for public engagement and “political consensus” features strongly in the guidance from the International Labour Organisation and World Health Organisation on schemes in social protection floors.<sup>11</sup> The issue is challenging as the UK has been seeing with Universal Credit (UC). Indeed, at one stage the scale of concern among MPs after a lengthy debate in the House of Commons in 2017 led MPs to vote to demand a suspension of UC’s national roll-out.<sup>12</sup> In contrast to recent experiences with UC, there are examples of where schemes have not just commanded significant initial support, that support has generally continued after their introduction. This could be fairly said of a range of contributory benefits in the contributory regime, and indeed the contributory principle itself as it was envisaged by

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of Workplace Automation” *Journal of Economic Perspectives* Volume 29, Number 3, Summer 2015: 3-30; R. Gordon, *The Rise and Fall of American Growth* (Princeton: Princeton University Press, 2016) 602-604; and P. Krugman, “What Will Cause the Next Recession: Paul Krugman on UBI and More”, 22 April 2019 (“To say that we must have UBI, that would only make sense if we were right on the verge of the robots taking all of our jobs...there’s no sign that’s happening”): <https://www.youtube.com/watch?v=Ja2PY2CnpOQ>

<sup>6</sup> On the two-year randomised controlled trial which began in January 2017, its design and objectives, and preliminary results, see L. Kaliomaa-Puha, A. Tuovinen, O. Kangas, “The Basic Income Experiment in Finland”, [2016] *JSSL*, 23(2), 75-78, 77, and J. De Wispelaere, A. Halmetoja, V. Pulla, “The Rise (and Fall) of the Basic Income Experiment in Finland”, *CESoFA Forum* 3/2018 September, Volume 19, pp.15-19; and see N. Harris, “Who Wants Basic Income?” (2016) *Journal of Social Security Law*, 23(2): 65-66.

<sup>7</sup> *It’s Time for Real Change: The Labour Party Manifesto 2019* (London: The Labour Party, 2019), p.60; and *If Not Now, When? Manifesto 2019* (London: The Green Party, 2019), p.26; *Liberal Democrats: Stop Brexit, Build a Better Future* (London: Liberal Democrats, 2019), p.6 (offering development grants: “[We] will put £4,000 into people’s ‘Skills Wallet’ at 25, £3,000 at 40 and another £3,000 at 55. The grants have been designed to encourage saving towards the costs of education and training throughout adult life. Individuals, their employers and local government will be able to make additional payments into the wallets.”).

<sup>8</sup> Scottish Basic Income Steering Group, *Exploring the Practicalities of a Basic Income Pilot* (Carnegie UK Trust, 2019), p.9: <https://www.carnegieuktrust.org.uk/publications/exploring-the-practicalities-of-a-basic-income-pilot/>

<sup>9</sup> Official Report, Meeting of the Parliament 27<sup>th</sup> March 2019: Shirley-Ann Somerville: “We have had reassurances from the Secretary of State for Work and Pensions, who has offered co-operation [with the pilot]. We are certainly taking her up on that offer because we need to build understanding of the scale and scope of the work, and we need the UK Government to carry on in partnership with us in that process.”

<sup>10</sup> *Exploring the Practicalities of a Basic Income Pilot*, n.8 above. Other specific questions are whether a CBI would be “readily understood” and be “seen to be beneficial by the community”; and what are the levels of public support given the unconditional nature of a CBI; and would it “fit with existing societal norms around need and contribution?”.

<sup>11</sup> *Social Protection Floor for a Fair and Inclusive Globalisation: Report of the Advisory Group Chaired by Michelle Bachelet* (Geneva: International Labour Organisation, and World Health Organisation, 2011). Two of the most important “lessons” are that programmes benefit from sufficient development time, and besides effective institutional arrangements and delivery technologies their “implementation should be based on national consensus”, not least because mistakes can be costly and undermine public confidence; *Executive Summary*, xxvi, ch.4.

<sup>12</sup> HC Deb, Vol 629, 15 Oct 2017, cols 860 et seq. This came after it heard a litany of complaints about constituents’ negative experiences of the system, and a report from the Trussell Trust about the rise in take-up of food bank help by UC recipients (*Early Warnings: Universal Credit and Foodbanks*, Trussell Trust April 2017).

William Beveridge in his report<sup>13</sup> to the government in 1942.<sup>14</sup> Indeed, it is this positive feature of the system that prompted calls by some commentators for an expansion of the contributory system, and its “something for something” values, as a way of regaining public trust and support, reversing the poor support for means-tested benefits, and reducing the stigma of claiming.<sup>15</sup> Public support was also a vital element in gaining the government’s commitment to non-contributory schemes like Family Allowance in 1945<sup>16</sup>, and again in 1975 when child tax relief and family allowance were merged into Child Benefit (described at the time by the Secretary of State for Social Services, Barbara Castle, as a “new universal, non-means tested, tax-free cash benefit”).<sup>17</sup> Arguably, the benefit remains the closest thing the UK has to a universal basic income. Strong public support was needed again in the mid-1980s at the time of the Fowler Reviews in the mid-1980s<sup>18</sup> when it looked as if it might be taxed, means-tested, or absorbed into new means-tested provision. In the event, an alliance of organisations, Save Child Benefit, was started by the Child Poverty Action Group and this campaigned, successfully, for it to continue.<sup>19</sup>

Unfortunately, gaining public support for a social security system which includes non-contributory, universal components is not helped by the hostility which sections of the media habitually display towards the system and claimants. Mr Thomas Roche, unemployed resident of Eltham, South-East London, and father of eight, experienced this first-hand. Towards the end of 2019 he won nearly £4 million on his first attempt at the “slots”, Bet 365’s £2-a-Go Reel King. The media soon discovered that he was a benefits claimant, and that agencies had told him he could continue to receive most of his benefits. Whilst he was, indeed, “unemployed” a fairer, more appropriate descriptor would have been “carer” as he had given up a job to become a carer for a child with autism who had qualified for Disability Living Allowance. Since then the family’s support comprised Income Support as the lead means-tested benefit, Child

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<sup>13</sup> Report of the Inter-Departmental Committee on Social Insurance and Allied Services (Chair: Sir William Beveridge) *Social Insurance and Allied Services* (Beveridge Report) (London: HM Stationery Office, 1942), Cm 6404.

<sup>14</sup> The government, for its part, noted how the scheme was ‘pre-eminently not a plan for giving to everybody something for nothing and without trouble’: rather it was a plan to secure to each citizen an income adequate to satisfy a natural ‘minimum standard’ on ‘condition of service and contribution...’; and echoing Beveridge’s often-quoted observation that ‘benefit in return for contributions rather than free allowances from the State is what the people of Britain desire’. (para D21). It added that ‘whatever money is required for provision of insurance benefits should come from a Fund to which the recipients have contributed’ (p.3); War Cabinet Summary of Report Social Insurances and Allied Services by Sir William Beveridge: Confidential WP (42) 547, 25<sup>th</sup> November 1942 (National Archives, accessed 12<sup>th</sup> November 2019). National Assistance support was outside the scheme (p.9).

<sup>15</sup> K. Bell and D. Gaffney, *Making a Contribution: Social Security for the Future* (London: TUC/Touchstone, 2012), 10. The authors put such factors forward in their argument for a “renewed focus on contribution”, and improvements to what contributors can expect from the system, ie “something for something”.

<sup>16</sup> Much of the groundwork in building public support for family allowances before 1945 had already been done by pioneers like Eleanor Rathbone and the Family Endowment Committee. Rathbone had long contended that children were a “community asset” and that the community should not leave their support and welfare provision to the family, or the “accident of private income”; E. Rathbone, *The Case for Family Allowances* (London: Penguin, 1940), developing themes in her earlier book, *The Disinherited Family*, first published in 1924 (London: Falling Wall, 1986). It was also implicit by 1945 that mothers should have control of that income given their need for independence and role as workers; S. Pedersen, *Family, Dependence, and the Origins of the Welfare State* (Cambridge: Cambridge University Press, 1993) 145.

<sup>17</sup> HC Official Report (5<sup>th</sup> Series) Vol.892 (13<sup>th</sup> May 1975), col 330. She also commented that “It may be premature to talk of giving the wife and mother her own wage, but she certainly needs control of her own budget if the family is to be fed and clothed.” The scheme had been widely debated and supported as part of the Labour Party’s family and social security policies, including those in *Labour’s Social Strategy, Into the Seventies* (London: Labour Party Executive Committee, 1969).

<sup>18</sup> For a valuable account of reviews and reforms in this period, see N. Harris, “Widening Agendas: The Social Security Reviews and Reforms of 1985-8” in N. Harris (ed.), *Social Security Law in Context* (Oxford: Oxford University Press, 2000) 119-151.

<sup>19</sup> The main in-roads to CB’s universality have come from withholding it from those without a “right to reside”, and since 2013 HMRC can claw back payments from households with a higher rate taxpayer; “Child Benefit and Guardian’s Allowance: Where it All Started”, *Revenue Benefits* (Low Incomes Tax Reform Group/LASA), 22<sup>nd</sup> July 2018. The price for its near-universality has been that governments have kept it as a relatively small, low-value low payment. Expansion of family support has largely been through more targeted, means-tested benefits like Child Tax Credit.

Benefit, Child Tax Credit, Housing Benefit as they rented their council home, and Disability Living Allowance in respect of the son with autism. Having duly notified the relevant agencies of his “change of circumstances”<sup>20</sup> he was no doubt surprised to be told that at least three benefits - Child Benefit (CB), Child Tax Credit (CTC), and Disability Living Allowance (DLA) – would still be paid.<sup>21</sup> In the days that followed press hostility intensified.<sup>22</sup> A fairer, rather more supportive account, was provided in other reports.<sup>23</sup>

Scenarios like this provide a valuable case study, not least in the way that such media stories feed into a narrative about a “something for nothing” benefits culture, but also in the way that some sections of the press do not appear to understand (or perhaps do not want to understand) the rationale for the continuing availability of benefits like CB, CTC, and DLA to claimants with resources. Part of the problem, it has been suggested, is that means-tested and non-contributory benefits - having evolved as the “poor relative” of Beveridge’s contributory system - never benefited from the “strong rationale” and public understanding that Beveridge forged for contribution-based schemes.<sup>24</sup>

None of this bodes well for a scheme like universal BI which would enable payments to be made to recipients higher up the income distribution – indeed all the way to the top - even if under some BI variants they may be expected to pay tax on them. As considered later, those trialling BI schemes in Scotland understand this well, and have factored the issue into plans to engage the public and win informed support.

In the bigger picture, this begs the question what role universalism should still be playing in the delivery of State programmes and services? Despite attractions like “simplification” that universality might offer, current trends in the UK, although not necessarily in other European

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<sup>20</sup> A duty to notify changes is placed firmly on claimants as a result of the Social Security Administration Act 1992 s.71; Social Security (Claims and Payments) Regulations 1987, SI 1987/1968, reg.32; and leading cases like R(SB) 15/87, CG/4494/99, and *Secretary of State for Work and Pensions v Hinchy* [2006] UKHL 16. They must do this if they wish to avoid recovery of overpayments for failing to disclose such changes.

<sup>21</sup> H. Goodwin ‘Dad-of-8 won £4m on slots but can still claim benefits’, *Metro* (London, 17<sup>th</sup> December 2019) 9. CB and DLA are non-means tested, sometimes described as “universal”, benefits; and they would not have been affected by the couple’s newly acquired capital. CTC is a means-tested benefit. However, until a recipient receives *income* – for example after it has been invested and starts to generate interest - eligibility and payments under an existing CTC award continue. HMRC guidance on “Changes you should report” refers to “any change in income”, adding that this must be done “immediately” if it goes up or down by £2500; see “Report changes that affect your tax credits”: <https://www.gov.uk/changes-affect-tax-credits> last accessed 18<sup>th</sup> December 2019. Reminders to claimants to report changes are routinely provided through their on-line accounts.

<sup>22</sup> R. Ardehali, “Jobless father, 30, and his wife who won £3.75m on gambling website Bet365 are still claiming up to £3,000-a-month in benefits while splashing out on five cars, an £850,000 six-bedroom home and a quad bike”, *Daily Mail On-Line* (London, 16<sup>th</sup> Dec 2019: last accessed 20<sup>th</sup> December 2019). A similar report, reporting that Mr Roche had “infuriated friends by keeping his handouts” appeared the day before in an “exclusive” in *The Sun*; D. Sales, “HANDOUT FURY Family who won £3.75million on gambling website are claiming up to £3,000 a month in benefits” (*The Sun*, 15<sup>th</sup> December 2019): <https://www.thesun.co.uk/news/10558436/millionaire-family-claiming-3k-benefits/> last accessed 20<sup>th</sup> December 2019.

<sup>23</sup> In an account criticising the “bad picture” that she felt had been painted of her husband, Mrs Roche pointed out that he was, in every sense, the carer of their autistic son who needed his father to be “on hand all day, every day”; L. Skoulding “£4 million bets winner slams ‘lies’ that family are still claiming benefits: please don’t believe everything you read”, *MyLondon*, (London, 17<sup>th</sup> December 2019: <https://www.mylondon.news/news/south-london-news/4-million-bets-winner-slams-17436953>: last accessed 20<sup>th</sup> December 2019). Interestingly, her other observation that “Yes, we are travellers” highlighted another sensitive issue. This is the discrimination and prejudice this group can still encounter; see Kate Green MP, “Discrimination and abuse against Gypsies and Travellers remains widespread” (London: The House Magazine, 15<sup>th</sup> May 2019). In relation to inequalities and unequal treatment when accessing services, housing, benefits, etc, see S. Cemlyn et al, *Inequalities Experienced by Traveller Communities: A Review* (Manchester: Equality and Human Rights Commission), Research Report 12, 2009.

<sup>24</sup> Furthermore, it has been argued, their legitimacy was “never properly established”, and this has enabled them to be more easily portrayed as somehow part of the system’s systemic failure: that “disapproval” could then be easily extended to those who rely on them. K. Bell and D. Gaffney, *Making a Contribution: Social Security for the Future* (London: TUC, 2012), 10.

countries, point inexorably to moves away from universal provision.<sup>25</sup> At regional and local level, authorities and agencies have generally tried to keep services as widely available as possible: but particularly since 2010 and the onset of austerity they have come under increasing pressure from central government to “target” support. The experience of Wales, for example, since 2010 provides valuable insights. One Wales commitments under the Labour-Plaid Cymru coalition extended support under schemes like free school breakfasts and milk for youngest children, free bus travel for all pensioners, disabled people, and carers, free prescriptions, and free swimming passes for all children at week-ends and in school holidays. They were designed to provide the community with core, universally available services. This could then be supplemented by additional support for those with specific needs as a form of ‘progressive universalism’. This combined approach made political sense. It widened the range of stakeholders benefiting from schemes and who could be expected to support them. It also avoided a risk of services being perceived as simply for “poor people”, and end up as poor services.<sup>26</sup> Another risk for universal provision is that in a time of austerity “budgetary constraints” can be more readily put forward as a justification for displacing such schemes and services; or limiting them by increased “targeting”. An assumption is sometimes made that, once reduced, the amounts allocated to a particular scheme can be more easily protected, and be less at risk of further change.<sup>27</sup> In practice, this has often *not* been the case, as seen with successive cuts to local authority provision for community care since 2010. These continued, particularly in domiciliary care and other services, despite the “rationalisation” of eligibility criteria and greater targeting of support.<sup>28</sup>

In general, as part of a shift in the balance between universal, contribution-based, and means-tested support, current trends in social security provision are generally towards focused support on newer, increasingly needy groups. This includes people with needs related to disability and mental health; ; those with sharply rising housing costs who are then more reliant on discretionary assistance; and those in in-work poverty (a sizeable and growing cohort, despite the decline in the number of workless households from 19.2 per cent in 2010 to 13.6 per cent in 2019).<sup>29</sup>

Up-to-date analysis of “who is poor today” also informs arguments about the need for policy makers to switch resources away from categories like pensioners living in relative poverty (after housing costs) given that this group’s numbers fell by over a third in the last 20 years.

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<sup>25</sup> L. Gardiner, “The shifting shape of social security: charting the changing size and shape of the British welfare system” (London: Resolution Foundation, November 2019).

<sup>26</sup> S. Hatherley “Sustainable public spending: The choice between universalism and targeting” (Cardiff: Research Service, National Assembly for Wales).

<sup>27</sup> *Ibid*, p.2.

<sup>28</sup> For example, most local authorities ceased (or reduced) support for groups not in the “critical” category of need under the assessment framework in the Fair Access to Service guidance (Department of Health, 2003), and then did much less if anything for groups in the lower categories of “substantial”, “moderate”, or “low”. Problems continued after 2010 when FACS was superseded by guidance in Prioritising Need in the Context of *Putting People First: A Whole System Approach to Eligibility for Social Care – Guidance on Eligibility Criteria for Adult Social Care* (Department of Health, 2010). Unfortunately, in the years that followed, services continued to be affected by cuts, as highlighted in reports of the Local Government Association over this period. Furthermore, the courts accepted local authorities’ right to plead a “lack of resources” as a defence to reduced provision in care plans; *R (McDonald) v Royal Borough of Kensington and Chelsea (Age UK Intervening)* [2011] 4 All ER 881, Supreme Court.

<sup>29</sup> L. Gardiner, “The shifting shape of social security: charting the changing size and shape of the British welfare system” (London: Resolution Foundation, November 2019).

In contrast, child poverty, including children with a parent in employment, is close to a record high (dictating a need for increased provision).<sup>30</sup>

On the face of it, universal BI schemes funded in part by the removal or reduction of such targeted schemes are the antithesis of what is needed after a decade of austerity, and the impacts this has had on peoples' welfare. However, the point needs fuller consideration, not least because some organisations that back universal BI, and other BI variants, do recognise the need for a partial retention of existing programmes.

Before looking at this more closely it is worth looking at BI, the typology of schemes, and BI schemes' "welfare" role.

## 2. Basic Income as "Welfare"

A basic income (BI) scheme may take a variety of forms. The central component in most schemes, however, is a regular, unconditional, and recurring payment of income made by the State to citizens and other eligible groups. The Basic Income Earth Network (BIEN) definition referred to in the last section has been developed further by reference to what it sees as five core characteristics of Basic Income.<sup>31</sup>

The first is that it is *periodic*. I.e. it is paid at regular intervals (for example every month), and not as a one-off grant or dividend.<sup>32</sup> The second is that it takes the form of a *cash payment* paid in an appropriate medium of exchange, thereby allowing those who receive it to decide what they spend it on. It is not, therefore, paid either in kind - such as food or services - or in vouchers dedicated to a specific use. Interestingly, some proponents universal provision differ in putting forward schemes that would deliver universal basic *services* in preference to income payments.<sup>33</sup> The third is that Basic Income should be paid on an *individual basis* and not, for instance, to households. The fourth is that the payments should be *universal*, that is paid to all, and without a means test. Fifth, that it should be *unconditional* and paid without a requirement to work or to demonstrate willingness-to-work. In practical terms this would not just mean initial eligibility for such support, it would continue irrespective of later changes such as a change family circumstances, marital status, or household composition. The focus on individual entitlement rather than by reference to household characteristics or needs, or a household means-test, has been stressed by other UBI proponents such as the RSA.<sup>34</sup>

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<sup>30</sup> Ibid, p.8.

<sup>31</sup> BIEN About Basic Income: <https://basicincome.org/basic-income/> last accessed 3 April 2020.

<sup>32</sup> An example is the dividend paid by the Alaskan Permanent Fund to residents settled in the state.

<sup>33</sup> Social Prosperity Network Report in Association with J. Portes, A. Percy, A. Reed, *Social Prosperity for the Future: A Proposal for Universal Basic Services* (London: Institute for Global Prosperity, University College London, 2017). "Focusing on basic services, such as housing, food, communications and transport, is, we conclude, far more effective [than basic income] at driving down the cost of living than spending the same money on existing services, or on redistribution." Putting forward what they describe as a "blueprint for an enhanced but affordable social safety net", the authors argue that "Expanding universal access to basic services is the most effective way to bolster the public goods on which both society and the economy depend", and "The benefits such investment in social infrastructure brings are much greater than those targeted at individuals." (Foreword, Prof. Henrietta Moore, Director, Institute for Global Prosperity, p.6).

<sup>34</sup> A. Painter and C. Thong, *Creative Citizen, Creative State: The Principled and Pragmatic Case for a Universal Basic Income* (London: Royal Society of Arts, Manufactures and Commerce, 2015), p.4; *Why Universal Basic Income?* (London: RSA, 2018); and *Pathways to Universal Basic Income: The Case for a Universal Basic Opportunity Fund* (London: RSA, 2018). Other commentators have underlined the importance of unconditionality in the take up of Basic Income; Philippe Van Parijs "Basic Income: A Simple and Powerful Idea for the Twenty-First Century", (2004) *Politics and Society* 32(1), 7-39. To some extent this reflects a perception of UBI as a fundamental citizenship right that transcends rationales based on needs versus resource comparisons, work status, or other eligibility criteria associated with State welfare. Essentially, as Van Parijs has explained, it is

For most BI models, universality is all-important. Nevertheless, there are likely to be some important in-roads to this, including lack of access by non-nationals and residents excluded as a result of nationality and residence requirements. Perhaps this is the inevitable corollary of formulating UBI as a citizenship right. The position of groups like asylum claimants is unclear, but it is unlikely they would be permitted to benefit from BI given successive governments' record of keeping support to subsistence level and ratcheting up conditionality.<sup>35</sup> Advocates like the Progressive Economy Forum are reluctant to use terms like "universal" or "citizens" given that their schemes exclude non-nationals, non-resident UK nationals, or those who are unable to satisfy "residence" requirements.<sup>36</sup> Arguably, such exclusions do not just undermine the whole notion of universality and unconditionality. They may produce other negative consequences such as the creation of two distinct groups within a host State, and particularly its labour market. First, a "Team A" made up of workers and other participants with settled status who would enjoy the benefits of a secure, secondary floor of income from the State, as they do now with most in-work benefits; and, second, a "Team B", comprising residents who do not have such status, and who would therefore be residing and working on significantly less advantageous terms. Whilst the latter group would continue to have access to the UK's social insurance based (contributory) benefits, it is likely that means-tested, non-contributory benefits - generally financed out of taxation - will increasingly be reserved to UK citizens and those with more settled residence status. Such workers are also more likely to be open to exploitation, particularly in the UK's ten or so low pay sectors where minimum wage employment is more common, and where State in-work support is especially important. Post-Brexit, and without the protection currently secured by the EU's "equal treatment" legislation, Team B is liable to be particularly vulnerable.<sup>37</sup>

The introduction of a BI scheme may be on the basis that it replaces all or much of the support already being provided by welfare benefit entitlements or, alternatively, does so with retention of some kinds of social security support.<sup>38</sup> Within the general definition of BI, schemes might broadly come within the scope of a "full" scheme on the basis that they are "stable in size and frequency" and high enough, in terms of value, to be, in combination with other social services, part of a policy strategy to eliminate material poverty and to enable the social and cultural participation of every individual. Alternatively, they may be a "partial" scheme. This is seen by BIEN as a scheme that would not be a "full substitute for other redistributive measures, but would provide a low – and slowly increasing – basis on which other incomes, including the

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a "demogrant" provided by a political community to all its members without reference to such criteria. The reference to a political community and its "members" is redolent of the work of Michael Walzer in which he talked of distributive justice presupposing a "bounded world" in which the members of a political community divide, exchange, and share social goods; M. Walzer, *Spheres of Justice: A Defence of Pluralism and Equality* (New York: Basic Books, 1983) 31.

<sup>35</sup> L. Scullion "Seeker, Refugees and Welfare Conditionality in the UK", (2018) *JSSL* 25(3), 158. In the case of asylum seekers, and possibly even those with refugee status, it is not difficult to anticipate objections to according these groups the same level of support from a UBI as citizens or other nationals with more settled residence status.

<sup>36</sup> In the Progressive Economy Forum model a "usual residence" test would operate; G. Standing, *Basic Income as Common Dividends, Piloting a Transformative Policy: A Report for the Shadow Chancellor of the Exchequer* (London: Progressive Economy Forum, 2019).

<sup>37</sup> The issues (and concerns) are set out more fully in K. Puttick "EEA Workers' Free Movement and Social Rights after Dano and St Prix: Is a Pandora's Box of New Economic Integration and 'Contribution' Requirements Opening?" *Journal of Social Welfare and Family Law* (2015) Volume 37(2), 1-21. Much will depend, of course, on post-Brexit arrangements agreed with the EU for its nationals in the UK (and vice versa). Arguably, having such a twoteam system would, in time, undermine the terms and conditions (and job security) of Team A as low-paying employers will have incentives to recruit Team B workers.

<sup>38</sup> N. Harris, "Who Wants Basic Income?" (2016) *JSSL* 23(2): 65-66. Examples of partial retention of existing schemes are considered later in this paper. The RSA Basic Income model, for example, recognised that it may be necessary to modify the proposed Citizen's Income to provide additional assistance for families with children who are not yet of school age given that the earning potential of that group can be severely curtailed; Painter and Thong, n.34 above, at 27.

remaining social security benefits and means-tested guaranteed income supplements, could be added”.

Interestingly, some BI supporters see the “partial” option as an important path on the road to an eventual full BI. Others see the need for a full system as more pressing – particularly in the face of evidence of the current social security system’s breakdown, and given the scale and impact of the system’s failures. Advocates of a partial (or modified) system recognise that a full scheme’s replacement of all the existing social security system may not just be difficult to implement. It would be expensive and could produce too many “losers”, especially among poorer households. Nevertheless, it could be a transitional “first step towards the implementation, over time, of a full or near-full scheme”.<sup>39</sup>

A close cousin of UBI, but not qualifying as such due to features such as the infrequency of transfers, is the negative income tax (NIT). Under a NIT scheme, people with income at a prescribed level would be relieved of tax liability. That level would be sufficient in “welfare” terms to enable them to live without any additional State support. Those with earnings or income above that level would pay tax on it. Those with income below it would receive support in the form of payments, either linked to the amount of that shortfall, or based on other criteria. Early advocates included Juliet Rhys-Williams who saw advantages in a “merger” of tax and social insurance schemes.<sup>40</sup> Some commentators have their doubts about the value of tax-based systems, including NIT-type schemes, or schemes like the USA’s Earned Income Tax Credit - particularly as an in-work source of support.<sup>41</sup> Others see a NIT as a potentially valuable option. Maximilian Sommer, for example, maintains that the conventional arguments against NIT, including a need for sizeable rises to tax rates, and negative impacts on labour supply and progression incentives, can be addressed successfully. It can also be designed to improve poverty reduction and support for low-income households and larger families.<sup>42</sup> Previous adherents to a full BI model like Rutger Bregman have recently switched their allegiance to a minimum income guarantee that is, in effect, a NIT scheme.<sup>43</sup>

Another variant of BI, but again not exactly fulfilling BI criteria with respect to aspects like conditionality, is the so called “participation income”. This looks to recipients to participate in the labour market or other unpaid activity – caring roles, approved education, voluntary sector work, and other activity within a definition of “social contribution” – in return for support. An early advocate was the economist Tony Atkinson. Atkinson departed from mainstream arguments for a basic income in two respects. First, seeing it as an alternative to social insurance was a “mistake”. Rather, he considered it should be complementary to an improved insurance system, helping to reduce the need for means-tested benefits. Second, he argued that it would be “difficult to secure political support for a citizens income while it remains

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<sup>39</sup> H. Reed and S. Lansley, *Universal Basic Income: An idea whose time has come?* (London: Compass, 2016), 8.

<sup>40</sup> J. Rhys-Williams, *Taxation and Incentive* (New York: Oxford University Press, 1953).

<sup>41</sup> For example, A. Alstott, “The Earned Income Tax Credit and the Limitations of Tax-Based Welfare Reform”, *Harvard Law Review*, Vol. 108, 1995, 533; and “Why the EITC Doesn’t Make Work Pay”, Harvard Public Law Working Paper No.09-66, *Law and Contemporary Problems*, Vol.73, No.1, 2010. Much of the concern is with features like the EITC’s propensity for inaccuracy, and unresponsiveness to people’s changing needs – particularly during periods of interrupted employment or income.

<sup>42</sup> M. Somer, *A Feasible Basic Income Scheme for Germany* (Springer, 2016), 7-49.

<sup>43</sup> R. Bregman, *Utopia for Realists: How We Can Build the Ideal World* (New York: Hachette Book Group, 2018).

unconditional on labour market or other activity”.<sup>44</sup> There are obvious similarities between a participation income and systems like Brazil’s Bolsa Família. That system has many of the characteristics of a BI scheme, and in fact was the first step in a plan to roll-out a full national BI after the Brazilian Parliament’s enacted the enabling legislation.<sup>45</sup>

Finally, there are issues around timing and implementation, giving rise to a variant of BI that may be termed a *phased* BI. Proponents like Malcolm Torry have put forward such a phased introduction, developing support for one group at a time, such as pensioners, children, and young adults. In effect, it would start as a small-scale scheme, but increase in scope incrementally as current State benefits are progressively replaced.<sup>46</sup> Interestingly, the Finnish BI experiment, discussed later in this paper, was preceded by an earlier project in 2014 as part of longer-term moves to align unemployment benefits more closely to a partial BI. It began with the removal of means-testing of part of the financial support given at that time to unemployed claimants. This enabled claimants to retain a modest proportion of their earnings (up to €300) without being disqualified from benefits. Amounts above that earned income threshold then started to be withdrawn at a 50% withdrawal rate.<sup>47</sup>

Such approaches have *some* similarities with the UK’s in-work Universal Credit, notably in the way the work allowances system enables a portion of earned income to be retained. If the claimant is entitled to a work allowance the earnings are compared to that allowance. If they are less than the allowance they are disregarded in full as “income” in the UC means test. If the earnings *exceed* the work allowance, then a 63% taper is applied to the excess to produce the amount to be used in assessing payments. In most other respects UC falls well short of what could be seen as a Basic Income of the kind proposed by BIEN, not least because of the conditionality it imposes, including features like employed recipients’ “progression” duty: ie the duty to continue seeking and taking up work opportunities until they reach their prescribed “conditionality earnings threshold”, normally 35 hours a week.<sup>48</sup>

Before examining some of the pilots that have taken place, or which are proposed, it is worth looking more closely at the arguments for and against UBI.

### 3. The Arguments for BI

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<sup>44</sup> A. Atkinson, “The Case for a Participation Income”, *The Political Quarterly* (1996) Volume 67, Issue 1, 67-70: <https://onlinelibrary.wiley.com/doi/epdf/10.1111/j.1467-923X.1996.tb01568.x>

<sup>45</sup> It was signed into law by the President of Brazil in 2004 (Lei 10.835 de 8 Janeiro 2004). The Bolsa assists a sizeable proportion of Brazil’s families, delivering a highly conditioned, monthly income to households with a monthly income below a prescribed monthly amount. It is normally paid through a withdrawal card and is managed by a designated female head of the household, or other adult. Further information and eligibility criteria, conditions, etc is on Brazil’s social development and benefits site: <http://mds.gov.br/assuntos/bolsa-familia> It differs from comparable UK means-tested support like the Child Tax Credit in that receipt is conditional on requirements like children’s school attendance and vaccination.

<sup>46</sup> M. Torry, *Money for Everyone: Why We Need A Citizen’s Basic Income* (Bristol: Policy Press, 2013).

<sup>47</sup> A. Halmetoia, J. De Wispelaere, J. Perkiö, “A Policy Comet in Moominland? Basic Income in the Finnish Welfare State” (2019) *Social Policy and Society*, 18(2): 319-330, 327. Some BI proponents argue that a secure basic income means that unemployed workers who may otherwise be subject to conditionality, and be stymied by the requirement to be “unemployed”, would have greater options (and incentives) while they have a secure, unconditional income, including options like accepting part-time work or lower-paid employment, or taking up training opportunities; P. Van Parijs and Y. Vanderborght, *Basic Income: A Radical Proposal for a Free Society and a Sane Economy* (Cambridge, Massachusetts: Harvard University Press, 2017), 49.

<sup>48</sup> On mandatory progression, see K. Puttick “From Mini to Maxi Jobs? Low Pay, ‘Progression’, and the Duty to Work (Harder)” (2019) *Industrial Law Journal* 48(2): 143-179, 172; and on wider issues affecting the inter-action of work and welfare, K. Puttick *The Welfare State, Wages and Work: Disintegration or Renewal?* (Liverpool: Institute of Employment Rights, 2019).

A variety of reasons, and potentially beneficial outcomes, for introducing a BI have been advanced. Perhaps the most wide-ranging have been provided by the Progressive Economy Forum (PEF) and a leading proponent, Guy Standing.<sup>49</sup> The PEF regards the main justifications as rooted in social justice, the personal and community freedom that it could provide, and the “basic security” it would confer on recipients. Such security would be, in effect, a “public good” which would “strengthen social solidarity” and inform initiatives for sharing the benefits of national public wealth more widely. Social solidarity as an explicit rationale for a new welfare benefit would be a novelty in the UK unlike Continental systems like France’s where, for example, non-contributory support in the form of social assistance - paid for out of taxation - is part of “National Solidarity”.<sup>50</sup> Beyond such justifications, the PEF case for a basic income – much of it mirrored in other proponents’ cases - develops Beveridge’s quest to slay the “five giants”<sup>51</sup>: but it argues that today there are eight *further* giants stalking the land: Inequality, Insecurity, Debt, Stress, Precarity, the Advancing Robots, and Extinction. Inequality is manifested in various ways, including the growth in wage differentials, wage stagnation, and the number of jobs paid at or below subsistence level. The PEF argue that a lone parent employed full-time on the minimum wage would be £70 short of the minimum income standard set by the Joseph Rowntree Foundation. Accordingly, they assert, a basic income of that amount would enable that parent to move out of poverty. The PEF’s ideas in this regard are also reflected in the proposals of leading commentators like Professor Anthony Atkinson, who put forward the case for participation income to complement existing social protection for such households, coupled with a universal child basic income.<sup>52</sup>

Alongside inequality is what the PEF terms the “giant of economic insecurity”, and in this regard it has branded the social security system itself - far from being a source of relief - as a “zone of insecurity”. Many of the specific forms of Insecurity that now affect citizens, including a fear of losing their employment or their home, also comes from Debt. As at mid-2018, household debt was reportedly higher than at any time on record; and much of it can be attributed to the inability of the social security system to meet claimants’ full costs in areas like rent support.<sup>53</sup> There are other aspects to debt linked to shortcomings in the social security system, however, which have fuelled the level of Want in recent years. A key factor has been the low level at which State benefits are paid: a recurring theme in reports by child poverty campaigners like the Child Poverty Action Group (CPAG) and the Institute for Fiscal Studies. A concern of the IFS since 2016 has been with the lack of growth in real incomes at the bottom of the income distribution, due in part to cuts in benefits levels and freezes in up-ratings.

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<sup>49</sup> G. Standing, n.36 above, at 5-7, 11-38; and G. Standing *Basic Income: And How We Can Make It Happen* (London: Pelican Books, 2017).

<sup>50</sup> P. Martin, “Ideas, Controversies and Proposals about the Universal Basic Income in France”, (2007) 24 *JSSL*, Issue 1, 31-46. Social exclusion, and labour market integration, have also been important policy drivers in the development of schemes like France’s Revenu de Solidarité Active; T. Vlandas, “The Politics of In-Work Benefits: The Case of the Active Income Solidarity’ in France”, (2012) *French Politics*, Vol 11, 117-142.

<sup>51</sup> Beveridge Report, n.13, at p.6: “Social insurance fully developed may provide income security; it is an attack upon Want. But Want is one only of five giants on the road of reconstruction and in some ways the easiest to attack. The others are Disease, Ignorance, Squalor and Idleness.”

<sup>52</sup> T. Atkinson, *Inequality – What Can be Done?* (Cambridge, Massachusetts: Harvard University Press, 2015), Proposal 13. For a more up-to-date commentary on the operation of the JRF minimum income standard, see D. Hirsch, *A Minimum Income Standard for the UK in 2019* (York: Joseph Rowntree Foundation, 2019): <https://www.jrf.org.uk/report/minimum-income-standard-uk-2019> The JRF has also called for adequate uprating and restoration of the value of benefits, particularly for families with children; and for ensuring that the childcare costs paid with UC are based more closely on the price of childcare.

<sup>53</sup> The PEF refer to the four-year freeze on local housing allowances, as this affects the level at which Housing Benefit is paid, and the problems associated with rent arrears impacting on UC claimants; G. Standing, *Basic Income as Common Dividends*, n.36 above, at p.16.

Among other consequences this has meant that whilst there has been growth in average income across the population levels of absolute poverty have largely been unchanged.

In addressing the issues around debt, the PEF assert that a basic income would not in itself eradicate debt, including debt levels induced by benefits freezes and rent arrears among UC claimants: but it would help by limiting what it calls “involuntary debt”, giving individuals and families “more financial control”. The issue of the viability (and sustainability) of a general basic income for all - paid unconditionally and without reference to a means-test - is revisited later. A key question is whether the level at which a BI would be set would be any significantly higher than the benefits it would replace, at least without significant rises in tax rates (and other contributing factors in net costs).

The PEF report also refers to “millions of people living bits-and-pieces lives that go beyond issues of insecurity and stress. They feel that they are unable to develop themselves, have no occupational identity or narrative to give to their lives, and must do a lot of work that is not recognised or remunerated. They are the precariat”.<sup>54</sup>

Suffice to say at the outset, however, that whilst it has many attractions, including the reduction in complexity, low take-up, and poverty traps associated with means-tested schemes, it is not immediately obvious how a one-size-fits-all Basic Income – at least in isolation, and without other welfare systems continuing to operate – could deliver the support required by the neediest groups in the community, and at the levels needed. Such groups currently benefit from a wide range of complex, expensive, and highly targeted systems and services. Consolidating that support into a universal, unconditional BI payment would be a considerable challenge. It would also pose significant risks for those in the bottom of the income distribution (including many of the low-paid workers in the bottom three wage deciles currently dependent on State in-work benefits, housing, council tax relief, and other support) if the cost of a basic income meant some of those sources being removed or reduced. There are, for example, sizeable groups like low-paid working parents with substantial childcare requirements, families and disabled people with additional and special needs, and those struggling with housing costs that could not be adequately met from such a “universal” BI payment unless it could be pitched at an adequate level to absorb such costs. CPAG’s CEO, Alison Garnham, has argued convincingly that it is likely that there will always need to be a role for top-ups, needs-based additions, and means-testing unless it is possible to “revolutionise the generosity of other benefits”.<sup>55</sup> However, she also makes it clear that it would be necessary to “consciously dump”

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<sup>54</sup> G. Standing, *Basic Income as Common Dividends*, n.36 , 19. The “precaritisation” theme is developed more fully in G. Standing, *The Precariat: The New Dangerous Class* (London: Bloomsbury Revelations, 2016); and *Basic Income and How We Can Make It Happen* (London: Pelican/Penguin, 2017). Robert Castel, in a similar vein, wrote about the weakening of social organisation at the end of industrial capitalism and “paths of disaffiliation”; R. Castel, *La Montée des Incertitudes* (Paris: Seuil, 2009); and “The Rise of Uncertainties”, *Critical Horizons* Vol. 17, 2016, Issue 2, The Politics of Vulnerability, pp.160-167. As far as robotics and AI are concerned, the argument is not just about providing a cushion of income for those who are displaced from the labour market: it is framed more widely, in terms of putting in place “a distribution system that will ensure everybody in society shares in the economic gains from robots”. It would be a “form of preparatory insurance” (*Basic Income as Common Dividends*, n.36 , 21). A trade union view recognises that a UBI might be a way of mitigating the social and economic downsides of technological change, but is considerably more sceptical about its ability to meet other challenges like growing inequality; A. Coote and E. Yazici, *Universal Basic Income: A Union Perspective* (London: New Economics Foundation/Public Services Institute, 2019), 20.

<sup>55</sup> Similar conclusions were reached by Compass after several simulations of how UBI systems would work in practice, and with comparisons between a “full” scheme and a “modified” scheme (in which an unconditional basic income were included, but with retention of some means-tested schemes); Reed and Lansley, n.39 above. It concluded that a full scheme would not just be too expensive, it would produce too many losers among poorer households. As considered later, the outcomes from a modified scheme, were more favourable, offering an alternative, longer-term route towards an eventual full basic income.

the negative history of stigma and focus full-square on take-up if means-testing is to become “functional and acceptable”.<sup>56</sup>

Both Garnham and another CPAG commentator, Lizzie Flew, have observed that additional top-ups would be needed to prevent people on low incomes becoming worse-off under a BI scheme. Besides support from some benefits that could be “truly universal”, such as Child Benefit for families with children, there is much still to be learnt from what she describes as the “light touch targeting approach of tax credits”, helped by longer awards that could offer more certainty of income, but with less regular means-testing.<sup>57</sup>

Like the PEF, the Royal Society of Arts (RSA) has been making the case forcefully for a Basic Income since at least 2015, directing much of its attack on the failings of the social security system. It has contended that “It has become increasingly clear that we are facing significant social change as we age as a society, technology impacts our economy and social life, and our welfare state is no longer fit-for-purpose”, describing it as “increasingly complex, bureaucratic, and intrusive”, and reinforced in recent years by a “coercive and arbitrary sanctioning system which leaves many of the least fortunate in dire straits”.<sup>58</sup> Such views about the increasing conditionality and sanctioning in the system are undoubtedly shared by many academics and practitioners.<sup>59</sup> However, it also frames its case for a BI on wider considerations like the expected impact of artificial intelligence and technological change, and consequent need to address issues of growing underemployment and the need for financial support for those needing to transition to different careers. It also sees an ageing society as a growing challenge, with a need to expand the caring economy without the current barriers to this (“A Basic Income would help people care for their relatives, friends and neighbours without having to account for their actions to the State”).<sup>60</sup> In common with other BI proponents, both the RSA and PEF highlight transformations in the labour market, the increasingly precarious nature of much of the work that is available, the threats posed by artificial intelligence to employment, and the inability of the social security system to cope with these, as grounds for introducing a UBI. The RSA has emphasised the important role that BI payments could play in supporting people during periods of retraining, entrepreneurship, lower hours and periods of unemployment, dictating a need for a welfare system that is supportive of mobility across the life cycle.<sup>61</sup>

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<sup>56</sup> A. Garnham, *The Problem with Means-Testing* (London: CPAG, Nov 2019). She also notes how treating people with dignity and respect, and adopting a governmental commitment to maximising family incomes, as Scotland has done in its legislation, might go a long way towards achieving this; *ibid*, p.5. The legislation in question is the Social Security (Scotland) Act 2018. S.1 sets out the principles, including s.1(d) which stipulates that “respect for the dignity of individuals is to be at the heart of the Scottish social security system”. S.3 establishes a duty on ministers to promote take-up: specifically, they must “keep under consideration what steps they could take to ensure that individuals are given what they are eligible to be given through the Scottish social security system”.

<sup>57</sup> L. Flew, “Why Give Money to People ‘Who Don’t Need It’? The Case Against Intensive Means-Testing” (London: CPAG, Nov. 2019).

<sup>58</sup> Painter and Thoung, n.34 above, at p.4.

<sup>59</sup> See Dwyer, n.4 above. Much of the opposition of unions and the Left to UC has been directed at extensions to conditionality like “mandatory progression” and the “minimum income floor”; “UC is causing a hostile environment for thousands of families”, Unite the Union Day of Action 23rd May 2018; and Puttick, *Disintegration or Renewal?*, n.48, pp.66-68.

<sup>60</sup> Painter and Thoung, n.34 above, at p.5.

<sup>61</sup> Painter and Thoung, n.34, p.9. Opportunities for such mid-career re-training and personal development would be enhanced by the proposed £5000 “opportunity dividend” from the RSA’s proposed Universal Basic Opportunity Fund; see *Universal Basic Income Fund: A Step Towards Universal Basic Income* (London: RSA, 2018). Something similar, a £10,000 grant (or “skills wallet”), was included in the Liberal Democrat Party’s General Election Manifesto in 2019; n.7 above, at p.6.

Finally, in this section, it may be observed that in some sections of the trade union movement BI is seen as a potentially valuable means of strengthening workers' bargaining power so that they can improve or safeguard pay and conditions, resist redundancies and other changes that would make them worse off and less secure - essentially by making it easier to take industrial action and use their basic income to fall back on. There is certainly some attraction in this. In the UK context it would compare favourably with the current position with UC whereby strikers, having withdrawn their labour in furtherance of a trade dispute, are to be "assumed to have employed earnings at the same level they would have had were it not for the trade dispute."<sup>62</sup>

However, other commentators, unions, and union federations like Public Services International disagree and have serious doubts about the BI project.<sup>63</sup>

In the next section consideration is given to some of the main concerns.

#### 4. Concerns with BI Schemes

High on the list is the cost of universality, and the consequent challenges associated with coverage and "reach". The focus here is particularly on "full" models. The counter-narrative is that if BI is to maintain current levels of support, extend assistance to those harder-to-reach groups who currently fall through the system's safety-nets<sup>64</sup>, and extend it to others (including others further up the income distribution) – doing this in ways that are free from the problems associated with means-testing, conditionality, and complex barriers - then BI *must* be delivered on a universal basis. However, the higher the universality, the higher the cost. That cost could be met, but it would necessitate raising tax rates, introducing new taxes (particularly on wealth), or initiating new approaches like the establishment of sovereign wealth funds. The scope for this, and for a new "investment state" is considered later. Otherwise, the discussion inevitably switches to ways of *containing* costs. The first option is to simply reduce the amount of BI payments but, in doing so, risking that the scheme fails to deliver the support at the level required. Second, BI payments can be more closely targeted or "conditioned", in which case the scheme starts to lose its "universal" credentials - at least pending any further steps to progress towards a fully universal, unconditional scheme.<sup>65</sup> Third, containment could be achieved by limiting the reach of the BI programmes and maintaining other more targeted and means-tested benefits. This has been the approach taken with the RSA's basic income model since it was first put forward.<sup>66</sup> Unsurprisingly, the "simplicity" and reduced costs assumed to

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<sup>62</sup> Universal Credit Regulations 2013, reg. 56. The practical impact is to ascribe a fictitiously high level of earned income in the UC re-assessment. Normally when earnings or other income go down, UC is re-calculated, and it goes up to reflect the claimant's and dependants' increased needs. This delivers a double impact: first from the employer, second from the State.

<sup>63</sup> A. Coote and E. Yazici, *Universal Basic Income: A Union Perspective* (New Economics Foundation/Public Services International, 2019). It concluded there is no evidence that UBI could increase the bargaining power of workers and unions, and no evidence that it could be "affordable, inclusive, sufficient, and sustainable at the same time" (p.13); and see A. Coote, "Universal basic income doesn't work. Let's boost the public realm instead", *The Guardian*, 6<sup>th</sup> May 2019.

<sup>64</sup> Workers in atypical employment are a case in point; see M. Westerveld and M. Olivier (eds) *Social Security Outside the Realm of the Employment Contract: Informal Work and Employee-Like Workers* (Cheltenham and Northampton, USA, Edward Elgar, 2019).

<sup>65</sup> This is essentially what appears to have happened with Brazil's Bolsa Familia. The legislative framework, and enabling powers, are still in place, as previously discussed (n.45). Options for conditioning BI payments have been supported by some commentators; see, for example, D. Susskind, *A World Without Work* (London: Allen Lane, 2020).

<sup>66</sup> "A progressive basic income must run alongside other targeted benefits and complement the essential role that the state plays in supporting collective flourishing"; C. Young, *Basic Income: A Guide for Progressives* (London: RSA, 2018). A flat rate, one-

accompany the introduction of universal BI systems is frequently invoked in support of BI systems, and when comparisons are made with the level of bureaucracy, adjudication arrangements, etc required for mainstream social security systems. However, the scale of savings, and claims made about this, have been questioned.<sup>67</sup>

Estimates of what a full BI would cost vary considerably. There are various microsimulation studies which have assessed the fiscal and distributional aspects of both full and partial schemes factoring in replacement of existing social security programmes. Luke Martinelli examined full and partial coverage schemes, in the case of full schemes modelling four levels of “generosity”.<sup>68</sup> When examining partial coverage schemes, the analysis also modelled how expansion of coverage could be *sequenced* so that the fiscal burden of the changes could be reduced or extended over a protracted period. The revenue-neutral schemes assumed that any increases in expenditure had to be matched by a corresponding rise in tax revenue. Essentially, for a basic income in line with current benefits, after eliminating the personal income tax allowance and NI lower and upper thresholds, the income tax rate would have to rise by 4%. Any additional amounts needed, for example to provide premiums for people with disability needs, would require a tax rise closer to 8%. Despite positive features, much of the challenge highlighted the difficulties of designing “fiscally feasible” BI schemes that can avoid negative distributional consequences and be sufficiently generous to obviate a continued reliance on means-testing.<sup>69</sup> Achieving this, according to Martinelli, involves a “series of trade-offs” between the goals of meeting need, controlling the cost of schemes, and eliminating means-testing. The “unavoidable reality” is that schemes either produce unacceptable distributional consequences for some groups or their overall cost is simply too high. Retention of the existing means-tested benefits structure would produce a better compromise between meeting need and controlling cost: but at a price, namely maintaining administrative complexity and some negative work incentive effects.

Similar conclusions emerge from simulations carried out on behalf of Compass using the Landman Economics tax-benefit model. These also examined the cost and distributional outcomes of full and partial BI schemes.<sup>70</sup> There were five simulations: three variants of a “full” scheme that replaced most means-tested benefits, and two variants of a “modified” scheme which left some existing means-tested benefits in place (but which could operate as a first step towards implementation of a full or near-full scheme).

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size-fits-all UBI would either need to be pitched very high on the “generosity” index, in which case the cost would rise significantly, or else other more targeted schemes would have to operate in tandem (Reed and Lansley, n.39 above, p.12). Inclusion of elements in a comprehensive UBI replacing schemes dealing with costs like housing, and the transfer of responsibility for making payments out of it to recipients, raises the spectre of some recipients’ facing difficulties in managing their finances: a problem which UC encountered when HB direct payments to landlords were ended.

<sup>67</sup> J. De Wispelaere and L. Stirton “The Administrative Efficiency of Basic Income”, (2011) *Policy and Politics* 39(1) January: 115-132 (considering “unwarranted generalisations or careless assumptions” that permeate the discussion of the administrative properties of basic income); and “The Politics of Unconditional Basic Income: Bringing Bureaucracy Back In”, *Political Studies* (2013) Volume 61, Issue 4: 915-932 (challenging the view of UBI advocates that its administration is uncontroversial, and identifying essential tasks that any income maintenance policy must achieve, namely defining eligibility criteria, determining who satisfies it, and disbursing payments).

<sup>68</sup> L. Martinelli, *The Fiscal and Distributional Implications of Alternative Universal Basic Income Schemes in the UK* (2017, Institute for Policy Research, Bath University).

<sup>69</sup> *Ibid*, p.6.

<sup>70</sup> H. Reed and S. Lansley, *Universal Basic Income: An idea whose time has come?* (London: Compass, 2016).

In each case, the schemes were evaluated by reference to their *net cost* (equal to the net cost of the BI payments: ie net of savings from the abolition of, or reduced reliance on, some means-tested benefits, and net of the revenue-raising changes to income tax, NI contributions, or both); the number and pattern of *gainers and losers*; the *distributional effects* (by household income decile and benefit unit type); the *impact on poverty* for different groups (children, working age adults, pensioners); and the *impact on inequality* (measured by the Gini coefficient as the internationally recognized measure of inequality). The results were compared with the tax and benefit system applying in 2015/16. Predictably, each scheme produced a different pattern of winners and losers and different overall net costs. Whilst it was recognised that schemes tested would allow savings in administrative costs – significantly for full schemes, less so for ‘modified schemes’ - these were not included in the calculation of net costs.

Reference should be made to the detailed results for the three “full” schemes<sup>71</sup>, but in summary these show that while it is possible to design a full scheme which is “progressive” - ie with poorer households gaining on average, and richer households losing – there are some significant downsides and concerns. Despite some achievable gains – mostly further up the income distribution - there would be a “large number of losers” at the lower end of the distribution. That was the case for all three “full” schemes. A full BI also pointed to sharp rises in relative child poverty in all the schemes considered. Even after rises in the basic rate of tax there would still be significant net costs. For these reasons it was concluded that full schemes of the kind examined would not be feasible, at least without a sovereign wealth fund. A modified scheme was more viable, ie one paying a lower level of BI whilst retaining some current means-tested benefits system (but with some reduction in households’ dependence on means testing by taking into account their citizen’s payment when calculating their benefits). There were some important points to emerge from the analysis of the two modified schemes. Although Scheme 2 paid slightly higher weekly payments, for example £71 a week for adults aged over 25 instead of £61 in Scheme 2, the income tax rates needed to support this difference rose sharply (up 2 per cent for all bands). Besides the higher tax rates – 25 per cent basic, 45 per cent higher, 50 per cent top – other cost factors generated some significantly different net costs: £8.2 billion a year for Scheme 2 as against £0.7 billion for Scheme 1.<sup>72</sup>

Commentators like Donald Hirsch<sup>73</sup> accept that a BI (or citizen’s income) could deal with the disadvantages of a more means-tested system, particularly its complexity and the rapid withdrawal of benefits as earnings rise (which can, in turn, add to work disincentives). However, a transition to an effective BI system would require major changes (“seismic shifts”) in attitudes and policy on at least three fronts: acceptance that *everybody should be supported at a certain level* and with *no work conditions*; acceptance of a *greater role for the State in redistribution*, with substantially higher rates of direct taxation (potentially 40 per cent on all income, and at least 50 per cent if means-tested housing support were to be abolished), or else some equivalent means of raising much more money than is currently raised through tax;

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<sup>71</sup> Appendix B, *ibid* pp.27-30.

<sup>72</sup> *Ibid*, p.15 Table 1 Benefit Levels, Benefits and Tax Rates for the Two Modified UBI Schemes. The latter, particularly Scheme 2, had attractions over full BIs like “progressive” gains in the bottom 3 income deciles, and child poverty reductions (pp.16-18).

<sup>73</sup> D. Hirsch, *Could a ‘citizen’s income’ work?* (York: Joseph Rowntree Foundation, 2015).

and a *reduced role of the State* in ensuring that each citizen can afford particular essentials, notably housing and childcare, after a citizen's income replaced current schemes.

Hirsch's third point puts into stark relief some of the wider concerns of other commentators about BI, including those who see dangers in simply consolidating (or purporting to consolidate) existing provision into a flat-rate BI payment, making the payment to individuals, and then effectively walking away from further involvement after existing provision is wound up. He also has concerns about the alternative route to a full BI, namely through the introduction of a 'partial' BI – particularly in terms of complexity.<sup>74</sup>

Some significant concerns on aspects of BI have also been expressed by the International Labour Organisation. In 2018 the ILO published a commentary<sup>75</sup> having regard to current principles on what constitutes an effective social protection floor one.<sup>76</sup> Most of the focus has been on ensuring that support under BI schemes can meet the criteria of “adequacy and predictability”. In terms of the ILO's social inclusion and Decent Work agendas, it is also keen to highlight the importance of a scheme's “reach”, for example by extending to groups like workers in the informal economy and their families and dependants, and those who are disabled or have long-term incapacities. The ILO's worst fear, and this comes through strongly in its guidance, appears to be with “neo-liberal or libertarian UBI proposals replacing the welfare state with a minimalistic safety net”, and with budget-neutral schemes that only manage to produce a *low-level* safety net, especially if it means eliminating existing social security provision. That is also a very real concern among unions and some sections of the Left, who see BI schemes, and the consolidation of current programmes into schemes delivering little more than small payments to individuals, as a wholly insufficient means of building economic self-sufficiency. Worse, as suggested in *Universal Basic Income: A Union Perspective*, they could be used to justify rolling back the social state and dismantling public services, whilst doing little to address the impact of rapidly changing labour markets, inadequate welfare systems, inequality, and powerlessness.<sup>77</sup>

These are pertinent issues in all systems, but particularly in the UK given the impact of austerity on levels of provision, freezes to benefits up-ratings, and cuts to social services. As a general point, it is not unreasonable to ask, as some commentators have done, whether *any* social security system could truly be effective when funding levels for social security

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<sup>74</sup> Ibid, pp.3, 21-24: “A risk here is that a citizen's income contributing to, but not fully replacing, current levels of means-tested support could make the current system even more complex, if a means-tested top-up of the citizen's income was needed. It could also potentially lead to a reduction in basic entitlements, if such top-ups were abolished or allowed to wither.”

<sup>75</sup> I. Cortiz et al, *Universal Basic Income proposals in light of ILO standards: key issues and global costing*, Extension of Social Security Working Paper ESS 62 (Geneva: Social Protection Department, ILO, August 2018).

<sup>76</sup> Social Protection Floors Recommendation 2002 (No. 202) (Geneva: ILO, 2002). The ILO's provisions go into considerable detail. This highlights one of the problems with some BI schemes, namely their lack of specificity, for example in explaining how, exactly, they will support “disadvantaged groups and people with special needs” (art. 16) or, more generally, deliver the “range and level of benefits set out in the Social Security (Minimum Standards) Convention 1952 (No. 102)”, and meet the standards set in other ILO social security Conventions and Recommendations (art.17).

<sup>77</sup> Coote and Yazici, n.62 above, pp.9-13. The report was produced by the New Economics Foundation for Public Services International, a global union federation representing 20 million workers in public services in 154 countries, and it was funded by the Friedrich-Ebert-Stiftung Foundation.

programmes in the UK are at an all-time low.<sup>78</sup> Going forward, there is evidence of *some* relaxation of austerity as it has impacted on social security, including a partial un-freezing of benefits up-ratings since April 2020. More generally, the government has signalled modest changes, for example raising the threshold at which low earners start to pay National Insurance contributions as part of a wider ranging “simplification” of the tax and NI systems designed to reduce the perceived burden of taxes. However, such initiatives, according to the Institute for Fiscal Studies, will predominantly help those in higher-income households.<sup>79</sup> In the longer term, there has been little evidence of any serious move to address what looks like a gathering perfect storm in funding social security. According to the Resolution Foundation, in order just to maintain current levels of State welfare schemes, spending will need to rise as a share of GDP by 7 per cent before 2066. Without taking action debt would rise to 230 per cent of GDP; and meeting that cost would be equivalent to raising total tax revenues by £160 billion a year. This is possible and not as unthinkable as it might seem at first glance. In fact, it would align the UK’s spending with spending in another major European social state, Germany. Nevertheless, it would be a “huge shift”, and if done through higher income and consumption taxes it would also be a “big drag” on living standards.<sup>80</sup>

Several of the main models for a full basic BI scheme exclude support like housing costs and disability payments, or else proponents are still developing viable solutions. The RSA originally proposed a “Basic Rental Income” for those renting a property, and in the event of any “shortfall” in the necessary funding it proposed a land value tax.<sup>81</sup> It is not entirely clear, though, how such a source of revenue could even begin to match current Housing Benefit costs, or respond to likely rises in such costs in a rental market that has remained largely unregulated since the removal of rent controls by the Housing Act 1980. One analyst, Jonathan Portes, sees support for housing costs, along with disability and incapacity-related benefits, as the “two most expensive and problematic aspects of the current UK welfare system”, neither of which are directly addressed in BI models. He argues that while basic income eliminates work-related conditionality it is, by definition, impossible to have a system of disability-related benefits that does not also have *some* form of test to determine claimants’ disability status. He goes on to suggest that current proposals for a UK citizen’s income avoid the issue by preserving, broadly, the current system. This, however, would mean sacrificing much of the hoped-for gains from “simplification”.<sup>82</sup> Similar concerns have been expressed by the Joseph Rowntree Foundation. They see difficulty in including a “simple rent element” within a BI payment, at least “without creating shortfalls for some or large surpluses for others” (with the same problem applying with means-tested childcare support).<sup>83</sup>

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<sup>78</sup> C. McNeil et al, *Social (in)security: Reforming the UK’s social safety-net*, (London: Institute for Public Policy Research, 2019) at p.2. As the authors observe, with schemes like UC “For too many, it is a tightrope over poverty, not a social safety net”.

<sup>79</sup> X. Xu and R. Joyce, “Options for cutting direct personal taxes and supporting low earners”, *IFS Green Budget* (London: IFS, October 2019). Another finding is that whilst raising NIC thresholds would help low and middle earners, assistance for low earners would be achieved more effectively by increasing the work allowances in Universal Credit. An interesting proposal, from the New Economics Foundation, is to scrap the personal tax allowance and pay £48 to all those earning below £125,000 a year; A. Sterling, “Why everyone earning less than £125,000 should be given £48 per week” (iNews, 11<sup>th</sup> March 2019).

<sup>80</sup> T. Bell, “To maintain our welfare state we need to rethink how we pay for it” (London: Resolution Foundation, 2018).

<sup>81</sup> Painter and Thong, *Creative Citizen, Creative State*, n.34 above, at p.34.

<sup>82</sup> J. Portes, “Universal Basic Services Discussion Paper” in J. Portes, H. Reed, A. Percy (eds) *Social Prosperity for the Future: A Proposal for Universal Basic Services* (London: UCL, Institute for Global Prosperity), p.21.

<sup>83</sup> C. Goulden, “Universal Basic Income – not the answer to poverty” (York: JRF, 2018). The argument is, essentially, that the current system is designed to provide specific payments for people in specific circumstances, including potentially high housing costs and high childcare costs. If that system is replaced it is either necessary to level *up*, giving a boost to people to those without

The question as to what to do about the problem of how housing costs support from the State would operate in support of BI is an important one – particularly given the way rental costs in an unregulated rented housing market have risen, and given the sizeable amounts people are having to pay as a proportion of their earnings.<sup>84</sup> There is also the challenge of regional disparities in rent levels, making it difficult to develop anything like a national BI scheme capable of incorporating such costs, and displacing local HB regimes that factor in prevailing rent levels (through the Local Housing Allowance system).

One of the “unknown” impacts from the introduction of a BI scheme relates to work incentives and disincentives. Again, there are differing views. On the one hand, critics have a concern that an untargeted BI would add to an already problematic narrative about a “something for nothing” culture, with a degree of risk that this could reduce work incentives. Others see the issue very differently, with a secure payment encouraging entry to paid employment (and progression), particularly if its design and operation can reduce the disincentive from paying more tax, seeing State benefits withdrawn as working hours and earnings rise, and incurring more work-related costs (travel, childcare, etc). In other words, the classic “poverty trap”. Furthermore, it could offer people more freedom and choice about the organisation of their lives..<sup>85</sup> As with other aspects of BI, the impact on work incentives is still largely unknown and untested.

With that in mind, the role of trials and pilots in evaluating design and operational issues like work incentives, cost, and administration, is considered in the next section.

## 5. Recent and Planned Pilots

Trials of income transfer schemes in different forms, with differing degrees of universality and conditionality, and funded from a range of sources, have been conducted in countries with both developing and developed social security systems. Although there are some important lessons that can be learnt from these, there have been no opportunities, to date, to evaluate schemes that are up and running and which have *all* the characteristics of a fully universal and unconditional BI scheme. There are various schemes that pay a universal income or dividend from schemes funded entirely or in part from centrally managed sovereign wealth funds. These

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those specific needs “at huge cost”, or there is an income *fall* for those with them. BI proponents are aware of the problem, and it is work-in-progress.

<sup>84</sup> The scale of the problem was highlighted in a 2018 JRF analysis of rents. In half of English districts rent levels were shown to be more than a third of full-time local pay when the least expensive quarter of private rents was compared to the earnings of the lowest paid quarter of employees. Using the same rent-wages comparison, rent was more than *half* of local full-time pay in parts of Greater London and the South-East. In parts of Greater Manchester and North Yorkshire rent levels exceed a third of full-time pay; *Housing Costs and Poverty: Private Rents Compared to Local Earnings* (York: J Rowntree Foundation, Analysis Unit, 2018). A UBI, however generous, would not deal with other underlying causes of the housing crisis such as low pay, a lack of affordable housing, and long-term policy failures; Puttick, *Disintegration or Renewal?*, n.48, 64-66.

<sup>85</sup> See, for example, Van Parijs and Vanderborght, *Basic Income: A Radical Proposal for a Free Society and a Sane Economy*, n.47 above. The issues are complex but neatly summarised in the Compass study; Reed and Lansley, n.39 at pp.12,14: “Would a UBI help to create a ‘money-for-nothing’ culture, with some of the workforce opting either out of work or to work less?” before observing that evidence from UBI experiments suggests that the number dropping out from of the labour force is “likely to be small” and that there could be “knock-on benefits” (Reed and Lansley, n.39, at pp.12, 13). Results from the Finland study are encouraging on this, but the last report was just on “preliminary” findings, as discussed in the next section.

include an Iranian scheme funded from oil revenues<sup>86</sup>, and the Alaskan Permanent Fund which makes income transfers in the form of dividend for Alaskan residents who are settled in the state.<sup>87</sup> Brazil is a country which has come close to implementing a basic BI scheme. Enabling legislation to facilitate this was, in fact, passed by the country's legislature. However, as considered earlier in this paper, the system is still at an early stage of evolution, which means it remains highly conditioned, targeted on households rather than individuals, and means-tested by reference to those households' monthly income.<sup>88</sup> Like Brazil, South Africa has an evolving floor of social protection, including a "basic income grant" which, in combination with other targeted schemes like child support grant and an old age grant, delivers a developing "social wage packet". As well as securing impressive levels of coverage, entitlements are delivered within a "constitutional framework" designed to secure such rights.<sup>89</sup> Proposals for a universal basic income grant were made in 2002. However, in the absence of the necessary capacity and institutional arrangements, an alternative strategy was adopted. This favoured gradual development of a comprehensive and integrated income support scheme to underpin the country's social protection system.<sup>90</sup>

Otherwise, there have been assorted smaller-scale schemes, including those funded with the help of international development support rather than through domestic funding sources. As proponents of a planned pilot in Sheffield have said, while there have been some trials of BI-type schemes elsewhere in the world most evidence has come from times and contexts which are very different from the UK.<sup>91</sup> Furthermore, account must be taken of some significant differences in the experiences of tax-funded welfare states and social contribution-funded ones. The Sheffield project plans to provide what looks like a particularly valuable study, exploring the practicalities and administration of universal BI options, their effects on participants, and wider impacts on the community.<sup>92</sup>

Recent developments in the trialling of UBI systems like the Finnish experiment have offered useful initial data on aspects like work motivation, health and well-being, and recipients' perceptions of the system (for example when compared with their experience with existing social security schemes).<sup>93</sup> As the introduction to the government's preliminary result report

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<sup>86</sup> T. Hamid, "The Basic Income Road to Reforming Iran's Price Subsidies," *Basic Income Studies*, 2011 Vol. 6(1), October, 1-24. Essentially, direct transfers to citizens replaced an earlier system of State food, fuel, and heating subsidies.

<sup>87</sup> Alaska is one of about fifty countries which have sovereign wealth funds, not all of them paying dividends or other benefits, and operating in ways that have considerable potential to help fund BI-type schemes; A. Cummine, "Overcoming Dividend Skepticism: Why the World's Sovereign Wealth Funds Are Not Paying Basic Income Dividends" (2011) *Basic Income Studies*, Vol. 6 Issue 1, 1-17. The UK is a wealthy country, and this and the Iranian scheme certainly offer models for a possible UK fund.

<sup>88</sup> Information on the Programa Bolsa Família, eligibility criteria, conditionality, etc is on Brazil's social development and benefits site: <http://mds.gov.br/assuntos/bolsa-familia>

<sup>89</sup> J. Hagen-Zanker and J. Morgan (with C. Meth), *South Africa's Cash Social Security Grants: Progress in Increasing Coverage* (London: Overseas Development Institute, 2011); and K. Puttick, "The Challenges for Labour Law and Social Security Systems at the Labour-Social Security Interface" ch.9 in R. Blanpain, F. Hendrickx, D. Du Toit (eds), *Labour Law and Social Progress: Holding the Line or Shifting the Boundaries?* Netherlands: Kluwer Law International BV, 159-189 (paper at the ISLSSL XXI World Congress of Labour Law and Social Security, Capetown, South Africa, September 2015).

<sup>90</sup> *Transforming the Present - Protecting the Future: Report of the Committee of Inquiry into a Comprehensive System of Social Security for South Africa* (Chair, Prof. Vivienne Taylor) - A Report for the Ministry of Social Development, 2002, chapter 5, p.63.

<sup>91</sup> M. Bryan and J. Leman (with H. Rice and S. Duffy), *Working Paper: Proposal for a Sheffield Pilot* (Sheffield: UBI LAB, 2019).

<sup>92</sup> More specifically, it would involve pilots for three main options: a *Tweak* (taking conditionality out of illness and disability benefits); a *Top-Up* (delivering a non-means-tested benefit to all); and a *Replacement* (with a full replacement of tax and benefits); *ibid*, p.2.

<sup>93</sup> On the experiment's design and objectives, implementation, and preliminary results, see L. Kaliomaa-Puha, A. Tuovinen, O. Kangas, "The Basic Income Experiment in Finland", (2016) *JSSL*, 23(2), 75-78, 77; J. De Wispelaere, A. Halmetoja, V. Pulla,

stated, the project's aim was to find out whether the introduction of a basic income could make the social security system in Finland "more inclusive and further increase the labour supply". The project was a nation-wide two-year randomised controlled trial. The test (or "treatment") group comprised 2000 unemployed recipients aged 25-58 who had been receiving basic unemployment benefits and in-work support benefits. Another, larger group acted as the control group. Those in the test group received a monthly unconditional basic income of 560 Euros instead of conditional basic unemployment benefits, and this could be received on top of earnings, housing allowances, and other social assistance.

There were some complications that reportedly impacted on the study. These included differences in the tax treatment of the two groups, and the exclusion of the value of the BI amount from taxation. Political considerations played a key role in framing the study's remit, including a strong focus on the labour market effects of a BI.<sup>94</sup> There were also some concerns that rather than being seen as a tool operating in opposition to labour market activation, the project scheme could be perceived as a way of promoting it (and labour market integration) when advocates of a pilot wanted significantly more than that. Surprisingly, as some observers commented, the government did not see the contradiction in simultaneously conducting the study and rolling out an unconditional basic income experiment, together with a new sanctions regime for unemployment benefits claimants.<sup>95</sup> Despite such issues, preliminary results pointed to some positive preliminary findings.<sup>96</sup> For example, on work activity, there were no statistically significant differences between the groups. On wellbeing, BI recipients fared considerably better in terms of maintaining health and managing stress, and in their confidence about employment. Those managing the research emphasised, however, that the results were only "preliminary". Therefore it is not possible to draw any firm conclusions until all the data for the evaluation study – register data, surveys, interviews, etc – has been considered (expected later in 2020).

As well as providing a valuable commentary on previous research, and work done in Finland, Ontario, Canada, and the Netherlands, and consultations at recent Basic Income Earth Network 2018 conferences, the Scottish Basic Income Steering Group has described work being done in preparation for a pilot to evaluate a Citizen's Basic Income (CBI) for Scotland. This is being pioneered by four Scottish councils working in collaboration with the National Health Service and Improvement Service, supported by the Carnegie Trust.<sup>97</sup> The project team has reported on their feasibility work in an interim report.<sup>98</sup> This was assisted by a study by CPAG Scotland on the inter-action of a piloted CBI with current benefits.<sup>99</sup> The Group put

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"The Rise (and Fall) of the Basic Income Experiment in Finland", CESofa Forum 3/2018 September, Volume 19, pp.15-19; O. Kangas and V. Pulkka, "From Idea to Experiment. Report on Basic Income Experiment in Finland" Working Paper Kela/106 (Helsinki, Prime Minister's Office, 2016); A. Halmetoja, J. De Wispelaere, J. Perkiö, "A Policy Comet in Moominland? Basic Income in the Finnish Welfare State" (2019) *Social Policy and Society*, 18(2): 319-330, 327. O. Kangas, S. Jauhiainen, M. Simanainen, M. Ylikännö, *The Basic Income Experiment 2017–2018 in Finland*, 2019: Preliminary Results (providing a preliminary register-based statistical analysis of the employment effects of the 2017 experiment, and an analysis based on survey data which examines the impact of the experiment on the wellbeing of the basic income recipients): <http://julkaisut.valtioneuvosto.fi/handle/10024/161361>.

<sup>94</sup> De Wispelaere, Halmetoja, and Pulkka, n.93 above, at p.16.

<sup>95</sup> Ibid, at p.17.

<sup>96</sup> Kangas, Jauhiainen, Simanainen, and Ylikännö, n.93 above.

<sup>97</sup> Scottish Basic Income Steering Group, *Exploring the Practicalities of a Basic Income Pilot* (Carnegie UK Trust, 2019), p.9: <https://www.carnegieuktrust.org.uk/publications/exploring-the-practicalities-of-a-basic-income-pilot/>

<sup>98</sup> *Assessing the Feasibility of Citizen's Basic Income Pilots in Scotland: An Interim Report* (October 2019).

<sup>99</sup> *Exploring the Implications of a Citizen's Basic Income Pilot*, Child Poverty Action Group Scotland (March, 2019). CPAG identified important challenges, for example: "To ensure a pilot CBI left participants overall with no less support than they would get from existing social security benefits would mean considering how to provide for variable costs, in particular housing, childcare and disability-related costs." It added that "Because of the wide variation in costs, it is difficult to identify a level of CBI that would provide enough income to cover the highest costs, should benefits be replaced by a CBI. In particular, a pilot which sought to

forward two main options for testing. Both are universal and unconditional. A “high level” payment, based on the Minimum Income Standard produced by the Joseph Rowntree Foundation, which it believes is “likely to be able to substantially reduce or eradicate poverty”: the amounts are £120.48, £213.59 and £195.90 per week for people aged 0-15 years, 16 years to pension age, and pension age respectively; and a second, lower, level of payment more closely aligned with current benefit entitlements: £84.54, £57.90, £73.10 and £167.25 for those aged 0-19 years, 20-24 years, 25 years to pension age, and pension age respectively.<sup>100</sup> Assurances were given, following publication of the interim report, that neither option would be tested in ways that could lead to detriment s for participants in the pilots.<sup>101</sup> After a final report in 2020 there will be a decision as to whether the Scottish Government will support the project’s progression. If it does so, , the next phase is expected to take the form of a two or three-year pilot to inform policy and recommendations on a Scottish CBI.

The Scottish and Sheffield trials will be of great interest in other parts of the UK and overseas.

## 6. Conclusions

As this paper has considered, there are undoubted attractions in the idea of a universal BI – particularly a scheme which can deliver improved levels of support and other positive outcomes, and without the many negative features that accompany current programmes. Unfortunately, as has been seen since the roll-out of Universal Credit, phrases like “simplification” do not enjoy the currency they once had. Nevertheless, there is clear merit in any system which can operate with less complexity, adjudication, and administration.<sup>102</sup> There is also considerable attraction in the prospect of losing much of the conditionality and sanctioning that accompanies means-testing, even if there would need to be *some* residual conditionality linked to adjudications, for example in processes to determine disability status when establishing eligibility for support.<sup>103</sup>

Studies of the costs and on-costs of transitioning to a “full” variant of a universal BI, or doing so right away, suggest that these may simply be too high, at least using current funding mechanisms and without resort to newer sources like a securely funded, sustainable sovereign wealth fund. The alternative is to sacrifice existing levels of provision. That still leaves options open for “partial” BI schemes, and phasing-in routes to an eventual full BI. In terms of process, policy development and implementation would need to be preceded by significant public engagement (and support) as planning for the Scottish pilots sensibly recognises. Addressing the risk of producing negative distributional outcomes for sizeable groups which currently receive targeted support from non-contributory/universal schemes – particularly housing costs paid under Housing Benefit and UC, disability schemes, and

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replace all means-tested benefits with a CBI would either involve paying a high level of CBI to all or leaving some significantly worse off, principally those on the lowest incomes and with the greatest needs. Even if a level were to be found that left no-one worse off in cash terms that could nonetheless leave some groups worse off relative to others.” (at p.4).

<sup>100</sup> *Interim Report*, pp.5, 23-29.

<sup>101</sup> “The group do not want to propose models of CBI for piloting that will lead to direct financial detriment for participants. The challenge is that the current social security system is designed to identify financial need and pay people accordingly, while a CBI is designed to be universal. To achieve a balance, certain benefits would need to be continued alongside a CBI” (*Partners involved in exploring the feasibility of citizens basic income (CBI) pilots in Scotland have published an interim report into their findings*, Basic Income Scotland, 4<sup>th</sup> November 2019).

<sup>102</sup> Even if this could not be eliminated altogether; De Wispelaere and L. Stirton, n.67 above.

<sup>103</sup> Portes, n.82 above, at p.21.

childcare assistance – remains a huge challenge. As seen at different points in the roll-out of UC, there would be a serious political cost for getting this wrong.

As highlighted by Martinelli's work, the challenges also relate to the difficulty of overcoming trade-offs, primarily between the goals of meeting need, controlling costs, and eliminating means-testing (discussed in the *Concerns with BI Schemes* section). A slightly different take on this, but to similar effect, has been provided by Jonathan Portes of UCL's Institute for Global Prosperity, observing that whilst BI can deal with aspects like work incentives it cannot get over such trade-offs, as they are "inherent" in tax and benefit systems.<sup>104</sup> There is considerable uncertainty about how such issues could be dealt with given how the challenges will vary between different types of scheme, claimant groups, and stakeholders. Hence the importance of continuing trials and pilots.

Despite the negative commentary from some commentators on the cost-benefits of BI, there is certainly scope for more radical approaches to redistribution and funding a more progressive and reinvigorated social state. A more radical approach will be to start taxing wealth in a fairer way as it is, arguably, the least taxed and most available source of funding.<sup>105</sup> This may not be a silver bullet to solve *all* the ills of the Welfare State: but it would certainly be a starting point for improving current funding challenges and poor distributional outcomes, and as a necessary means of reversing the surge in in-work and child poverty. Of particular interest are proposals from the Institute of Public Policy Research. These take as their starting point the need to align levels of social spending with comparable European countries like Germany to create a new "investment state". This would take spending from the UK's current 43 per cent of GDP to a potentially new high of 48 per cent by 2030. It estimates that this would permit £46 billion additional spending, funded by a mix of higher borrowing and progressive taxation policies: essentially, measures like taxing wealth in the same way as income, abolishing inheritance tax and introducing a gift tax, increasing corporation tax from 19% to 24%, and replacing council tax and stamp duty with an annual property tax.<sup>106</sup>

The Covid-19 pandemic has brought unprecedented global disruption, with social security systems coming under pressure as never before. In the UK government measures have delivered massive support, including wages guarantees for "furloughed" employees and income replacement schemes for the self-employed.<sup>107</sup> Nevertheless, sizeable gaps in the coverage began to appear from the start.<sup>108</sup> Some of those excluded groups have undoubtedly

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<sup>104</sup> For example, on a better off/worse off analysis on the complex issue of work incentives he considers that it is only possible to improve work incentives, on average, "if the poorest are made worse off". Conversely, if the poorest are broadly protected then any changes would mean that some people would face worse incentives to work"; Portes, n.33, at p.21.

<sup>105</sup> K. Puttick, *The Welfare State, Wages and Work: Disintegration or Renewal?*, n.48 above, 76.

<sup>106</sup> H. Quilter-Pinner and D. Hochlaf, *There is an alternative: Ending austerity in the UK* (London: IPPR, 2019) 31-34. IPPR are supportive of a "living standards guarantee" to replace UC. This would rely in part on a "more comprehensive" social security system, including a greater degree of universalism and universal public services (UPS). As discussed earlier, a universal services-based approach is also put forward by UCL's Institute for Global Prosperity in preference to BI (Portes, Reed, Percy, n.33 above). This would build on the existing system of state provision of some services, but extend it: a basket of basic services would be financed by taxation, replacing in part some cash benefits: "Ultimately, the broad objective would be to extend the public provision of services as far as possible to enable individuals to live at a basic standard at significantly less direct financial cost." (n.33, pp.22-24).

<sup>107</sup> Under the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS); see *COVID-19: Guidance for Employees, Employers and Businesses* (HM Government: Support for Business, 3rd April 2020).

<sup>108</sup> For example, the CJRS only assisted employers in respect of employees who have completely stopped working, rather than those reducing their hours; and the system has done little for those with irregular or intermittent earnings (such as those on zero hours contracts) who may be limited to support based on preceding periods when earnings could have been very low. The SEISS excluded self-employed claimants on a variety of grounds, eg if they are not genuinely self-employed, or lack proper accounts,

been part of the sizeable (and growing) cohort that has had to look to the State and Universal Credit for the assistance they need.<sup>109</sup>

It remains to be seen how effectively Universal Credit - now the system's primary safety-net - will cope, particularly given its restrictive eligibility criteria, exclusions, and other features.<sup>110</sup>

An even more intriguing question, going forward, is whether a simple BI - delivering a weekly transfer from the State directly to recipients, while maintaining other essential targeted programmes - could do better?

The Covid-19 crisis could yet prove to be the catalyst for some fresh thinking on the matter.

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or who are newly self-employed. Treasury advice has been to claim UC. For a useful analysis, see S. Adam et al, "Fast choices by government provide generous income support to most workers, but leave some with nothing and others with too much" (London: Institute for Fiscal Studies, 2 April 2020: <https://www.ifs.org.uk/publications/14787>).

<sup>109</sup> In the last 2 weeks of March 2020 alone nearly 1 million new UC claims were made, necessitating rapid re-deployment of 10,000 staff to facilitate this (DWP, 25<sup>th</sup> March 2020). The value of support has been increased, with the standard allowance in UC (and basic element for working tax credit, paid as a legacy in-work benefit) increasing by £1,000 per year. The "minimum income floor" in UC was suspended for self-employed claimants affected by "self-isolation" requirements. Normally the MIF would attribute earnings equivalent to the full-time minimum wage (even if they are earning less), which after a means-test reduces the UC they can receive.

<sup>110</sup> For example, a 5-week "waiting period" before support normally begins, dependency on refundable loans in that period, and a lengthy payment cycle (normally monthly). It is not inconceivable that as take-up increases the government will relax requirements like the 5-week wait, move to a shorter payment cycle, and otherwise introduce easements.