

Universal Basic Income

Briefing Paper

July 2020

Contents:

Contents:.....	2
Executive Summary	3
Introduction	3
Context	4
Why do we need it?.....	4
How urgent is this need?	8
What are potential positive impacts of a UBI?	11
What are the potential objections?	11
What is the potential cost?	13
Pilots	13
Reports	15
Conclusions & Recommendations.....	17
Acknowledgments.....	18

Executive Summary

Universal Basic Income¹ is an automatic income for every U.K. citizen. It would provide a minimum amount for every citizen, regardless of means. It aims to provide stability and security for all; reduce the need for means-tested benefits, and mitigate income shocks when a change of circumstance result in a crisis situation.

This concept may sound radical, but these are unprecedented times, and international interest in a Basic Income has been rapidly growing. Advice NI believes a Basic Income could provide tangible assistance as an active 'Social Security' measure, considering the current austere system that does not enable claimants. A UBI could have a positive impact on equality, financial stability, and the nation's mental health.

This paper explores what a UBI is, what it could achieve, and how the concept could be explored for a pilot in Northern Ireland.

Introduction

What is UBI?

A Universal Income pays every citizen a set amount of money, from birth to death, ignoring any qualifying factors such as means, gender etc. The concept behind a Universal Basic Income is to enable and encourage citizens to use this basic income as a springboard to improve their circumstances. The Citizen's Basic Income Trust suggests it is:

- Unconditional [gender, employment status etc. does not apply]
- Automatic [from birth, albeit at different amounts, depending on age]
- 'Nonwithdrawable' [not means-tested, so increase in income does not preclude someone, or negate entitlement]
- Individual [not for a household]
- A citizen's right [for those with legal residency of the U.K.]²

In 2017, Philip Alston, UN Special Rapporteur on extreme poverty and human rights, presented his report to the Human Rights Council. He states:

"In many respects, basic income offers a bold and imaginative solution to pressing problems that are about to become far more intractable as a result of the directions in which the global economy appears inexorably to be heading³."

A UBI pilot cannot be proposed in isolation, but with economic, cultural and political considerations.

¹ UBI is also known as: Basic Income (BI), a Citizen's Income (CI), a Citizen's Basic Income (CBI) a Social Dividend, or a Universal Grant

² <https://citizensincome.org/citizens-income/what-is-it/>

³ <https://www.ohchr.org/EN/NewsEvents/Pages/UniversalBasicIncomeReport.aspx>

Context

Why do we need it?

1. **The labour market is perilous and precarious, particularly for low-paid/gig employees.** This is exacerbated by zero-hour and temporary contracts, as well as increasing labour-displacing automation: 'We find that automation displaces employment (a direct effect).'⁴
Those in low-paid jobs are also vulnerable to unscrupulous employers, and may feel obliged to accept poor conditions/pay as it appears to be their only option. A Basic Income could provide 'freedom', to strengthen people's ability to say no to exploitation by employers [or partners, in an abusive relationship]⁵. Social policy should be judged by whether it reduces or intensifies precarity. In this regard, a basic income would increase people's sense of agency⁶.
2. **Low-paying jobs prevent growth.** When a person lives 'month to month', earning just enough to cover bills, there is no opportunity for the individual to be able to start savings. This results in them being trapped in the cycle of surviving, instead of thriving. Also, income insecurity causes stress and narrows the 'mental bandwidth', leading to a lowering of short-term IQ, and more focus on short-term choices rather than longer-term strategic thinking⁷. Linked to both of these points is:
3. **Circumstances can change rapidly.** The Shelter and YouGov study found that almost three million private renters could be just one paycheque away from losing their home. Furthermore, a job loss would render more than half a million of these families (550,000) immediately unable to pay their rent⁸. The Institute for Social & Economic Research at the University of Essex suggests that up to 6.5 million jobs in the U.K. could be lost due to the current Covid-19 crisis⁹. Before Covid, unexpected changes could have a dire impact on income and housing. Now with millions more being affected by a sudden change in circumstances, it is imperative that more inclusive and robust Social Security measures are investigated by the government.
4. **Cost of living has risen:** The Office for National Statistics said costs for the poorest tenth of households in Britain had risen by 2.7% a year on average between 2006 and 2018, compared with an increase of 2.3% for the richest tenth. For all households, living costs increased by about 2.4% a year on average over the same period¹⁰. Not only is the cost of living inexorably rising, the impact is greatest on

⁴ The National Bureau for Economic Research [USA] <https://www.nber.org/papers/w24871.pdf>

⁵ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

⁶ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

⁷ S.Mullainathan and E.Shakir, Scarcity: Why having too little means so much (London: Allen Lane, 2014)

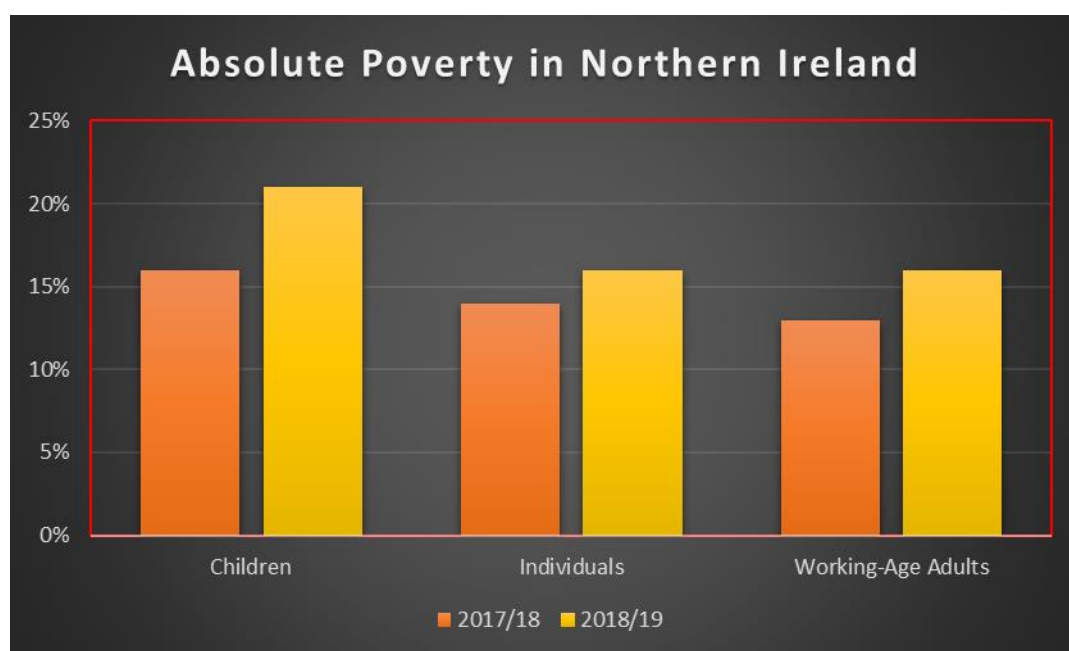
⁸ https://england.shelter.org.uk/media/press_releases/articles/almost_half_of_working_renters_only_one_paycheque_away_from_losing_their_home

⁹ <https://www.independent.co.uk/news/uk/home-news/coronavirus-lockdown-job-losses-unemployment-recession-university-essex-study-a9472966.html>

¹⁰ <https://www.theguardian.com/uk-news/2019/apr/25/living-costs-rising-faster-for-uks-poorest-families-than-richest>

those who can least afford it, and who don't have savings or generous wages to cushion this blow.

5. **Poverty is increasing in Northern Ireland.** An individual is considered to be in relative poverty if they are living in a household with an income below 60% of UK median income in the year in question. In 2018/19 the threshold was £308 per week (BHC) for a couple with no children (the benchmark for HBAI). Therefore, a couple with no children that have a combined income below £308 per week would be considered to be in relative poverty. The Northern Ireland Poverty Bulletin¹¹ found that there is a statistically significant increase in absolute poverty for children, individuals and working-age adults:



6. **Absolute poverty has increased, not just in families, but for those in work.** This is due to a number of factors, which include low-paid positions, work instability, insufficient social security support and cost of living. This is untenable, and must be addressed.
7. **In-work poverty.** For those on a low income, getting a job is not always 'worth it'; see graph in Point 6. In February 2020, a JRF report noted: 'Although paid employment reduces the risk of poverty compared to being unemployed, in-work poverty has risen to 56% of people in poverty'¹². If one is on a low income, there is no disposable income that can be saved, resulting in the claimant not being able to protect themselves against income shocks. If one claims UC while working, any income is tapered and then that amount is removed from the UC entitlement. It is because of this Catch-22 that people can't escape the poverty trap; whereas a UBI does not taper off should the individual gain paid work.

¹¹ The Northern Ireland Poverty Bulletin is produced annually by the Department for Communities and contains statistics on income and poverty for various population groups.

¹² <https://www.jrf.org.uk/report/uk-poverty-2019-20-work>

8. **Gaps in the social security system**, and the failings of Universal Credit to provide a swift, secure and regular payment to claimants. A Universal Income would reduce the need to claim UC. Universal Credit is not truly universal, as it is means-tested, and therefore not all are eligible. On top of that, sweeping Welfare Reform cuts in 2015 were so devastating, Northern Ireland had to secure £500 million to act as a temporary mitigation, to protect the hardest hit in the population, including the sick and lone-parent families¹³.
In 2018, 40% of families in Great Britain who are eligible for pension credit failed to claim the benefit during the 2016/17 tax year, leaving them missing out on an average of £2,500 for the year. The DWP acknowledged that this could be due to a lack of awareness, or the perceived stigma of receiving a benefit¹⁴. Not only did N.I. need a cash injection to shore up the system, but benefits in G.B. are not always being claimed by a large proportion of the population. A benefit available to all could reduce this stigma, and ensure that claimants get what they are entitled to.
9. **Connection between poverty and poor mental and physical health**. The British Medical Association stated: ‘Unemployment and poverty contribute to poor mental and physical health, which in turn makes it more difficult to find work. Poverty has long term implications on children’s ‘life chances’ and health in adulthood. Most individual long-term conditions are more than twice as common in adults from lower socio-economic groups, and mental health problems are much more prevalent¹⁵.’ Not only is poverty a crippling financial situation, but there is a clear link between poverty and mental health. In 2018, the OECD¹⁶ estimated that mental ill-health costs the U.K. £94 billion every year [counting treatment, social support and loss to the economy]¹⁷.
10. **Challenging poverty and poor mental health is particularly relevant for Northern Ireland**, as it is commonly acknowledged that NI has a higher instance of mental health conditions, per head of the population, than GB¹⁸. Improving N.I.’s mental health is not just a humanitarian proposal, but one with significant, positive financial ramifications for the public purse.
11. **The UK, the 5th world economy in terms of GDP, drags on the 55th position regarding inequality**, in a list of 160 countries (Gini coefficient measurements from the year 2000 onward)¹⁹. A UBI would aim to reduce this inequality. Even though the pay gap between men and women is closing, women still earn approximately 75 – 80% of the level of men. It is also noted that women are often crowded into low-paid jobs, with low skill levels. They often make up a very small percentage of senior

¹³ <https://www.communities-ni.gov.uk/publications/review-welfare-mitigation-schemes>

¹⁴ <https://www.moneysavingexpert.com/news/2018/11/over-p10-billion-of-benefits-left-unclaimed/>

¹⁵ <https://www.bma.org.uk/media/2084/health-at-a-price-2017.pdf>

¹⁶ Organisation for Economic Co-operation and Development

¹⁷ <https://www.theguardian.com/society/2018/nov/22/mental-illness-costs-uk-94bn-a-year-oecd-report-says-employment-economy-productivity>

¹⁸ Department of Health, Social Services and Public Safety (2014). Making Life Better: A whole system strategic framework for public health 2013-2023, quoted in Rader’s PIP review, 2018

¹⁹ <https://basicincome.org/news/2019/01/uk-the-current-welfare-state-is-reaching-its-limits-as-evidence-on-inequality-and-poverty-in-the-uk-is-surfaced/>

jobs²⁰. Women are also often crowded into part-time jobs, with lower pay relative to full-time employees; this naturally has a negative impact on their children.

12. **Women carry out an overall average of 60% more unpaid work than men**²¹. Overall ONS figures for 2014 show that total unpaid work in the U.K. had a value of £1.01tn, equivalent to approximately 56% of Gross Domestic Product (GDP)²². By definition, no-one is being paid for this. Active social justice is needed to ensure an income for those working in the home, and that men and women are treated equally. As stated by the Basic Income Earth Network: ‘How much (s)he receives is independent of what type of household she belongs to. The operation of a basic income scheme therefore dispenses with any control over living arrangements, and it preserves the full advantages of reducing the cost of one’s living by sharing one’s accommodation with others. Precisely because of its strictly individualistic nature, a basic income tends to remove isolation traps and foster communal life’²³. A Basic Income could not only improve a person’s financial situation, but also have a more holistic effect on their life.

13. **Over 100 opposition MPs and peers wrote to the government, calling for a recovery Basic Income**²⁴. The aim is to limit the fallout from covid-19, and ensure financial stability. This support, across 7 political parties, displays interest at a ministerial level. The letter states:
‘We urgently call on the government to put in place the mechanisms for a Recovery UBI so it can be rolled out as quickly as possible. This will help transition our society and our economy into a sustained recovery, and will become the foundation for a future social security system that provides genuine security.’²⁵
However, on 24 June 2020, Dr Philippa Whitford asked the Secretary of State for Work and Pensions:
‘What work her Department has undertaken to determine the feasibility of implementing a model of universal basic income throughout the UK?’
The response demonstrates the unwillingness of the present government to even engage in debate on a UBI:
‘No work has been undertaken. Universal Basic Income is extremely expensive, reduces work incentives and does not target those most in need of support.’²⁶ This terse and dismissive response can be viewed as short-sighted, considering the devastating impact Covid-19 has had on the national economy.

²⁰ https://www.economicsonline.co.uk/Labour_markets/Wage_differentials.html

²¹ Office of National Statistics

²² <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/womenshouldertheresponsibilityofunpaidwork/2016-11-10>

²³ <https://basicincome.org/basic-income/frequently-asked-questions/#workpay>

²⁴ <https://citizensincome.org/wp-content/uploads/2020/04/More-than-100-UK-opposition-politicians-call-for-universal-basic-income-after-lockdown-Financial-T.pdf>

²⁵ <https://actionnetwork.org/petitions/a-universal-basic-income-can-help-us-recover-from-covid-19-the-government-must-act-now?nowrapper=true>

²⁶ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2020-06-24/64215/>

How urgent is this need?

- 1. Universal Credit, is the main source of government-based financial support in the U.K.** Separate benefits are available if the claimant has physical/mental health needs. However, UC does not prevent income shock if one is suddenly made redundant. This paper does not suggest scrapping UC, but rather illustrate how a UBI could support the UC system, specifically by providing a steady income stream during assessment periods where the claimant receives less or no UC due to 2 pay packets in 1 AP. Disability payments would remain in place, as discussed later in this brief.
- 2. UC is not robust enough as it does not pay a definite amount, on a definite schedule, preventing claimants from being able to budget efficiently.** For example, for those paid every 4 weeks: 'When you get 2 earnings payments within an assessment period, your income may be too high to qualify for Universal Credit in that month. If this happens, you will be notified that your income is too high and you will no longer get Universal Credit. You can re-apply the following month as you should only get one earnings payment in your assessment period then²⁷.' The claimant is obliged to re-apply, even when their circumstances haven't changed, but because of the pattern of their job payments, which is beyond their control.
- 3. UC claimants are forced to wait a minimum of 5 weeks for first payment.** This was unavoidable pre-pandemic, but covid-19 has resulted in the number of UC claims in G.B. almost tripling, as acknowledged by Neil Couling²⁸. In May '20, DfC acknowledged there was a 294% increase in claims for universal credit, and a 110% increase in claims for job seekers allowance in Northern Ireland since the start of the coronavirus pandemic²⁹. This unprecedented demand, combined with reduced staffing numbers due to lockdown, means that processing times will inevitably increase. If this happens, a **minimum** 5-week wait for the first payment is not as reactive as the situation demands, to mitigate a crisis. Low-income citizens, with rent to pay and debts to manage, are threatened with impoverishment and ill-health by having to wait for so long³⁰. This is also because:
- 4. Advance payments are available to be applied for, however these are loans, not grants, which the claimant is obliged to repay.** It is not logical to oblige people with little/no income to incur debt. A basic income would not eradicate debt, but it would help in limiting involuntary debt, giving individuals and families more control of their

²⁷ <https://www.gov.uk/government/publications/universal-credit-different-earning-patterns-and-your-payments/universal-credit-different-earning-patterns-and-your-payments-payment-cycles>

²⁸ <https://www.ft.com/content/e1fcc6cd-ef44-4788-807d-ca534f61c1c1>

²⁹ <https://www.belfasttelegraph.co.uk/news/health/coronavirus/coronavirus-updates-executive-to-reconsider-allowing-people-to-visit-family-39216853.html>

³⁰ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

finances, knowing that at least something was coming in every month³¹. When a person suddenly loses their job, the UC system can be seen as too little, too late.

5. **UC had a specific design, centred around encouraging claimants into more and better work:** “UC seeks to strengthen incentives to enter any paid work, and amongst those who are already in work, to increase hours or earnings. It is designed to remove barriers to temporary, flexible and part-time work, while also ensuring claimants are not worse off in work.”³²

This sounds promising with a functioning labour market. However, during a pandemic, official figures show that 950,000 people have applied for the government’s universal credit benefit since the UK’s lockdown began on March 16³³. On top of that, in the UK alone, up to 11 million people could end up furloughed or unemployed over the next three months, according to separate research by the Resolution Foundation, which also showed that low-paid workers would be hardest hit³⁴. UC’s built-in taper system results in many being not better off if they accept work, which is discouraging to claimants.

6. **UC application process and sanction culture adversely affects claimants.** The complexity of UC entitlement results in many claimants being obliged to get assistance from independent advisors. This shows that UC is not customer-friendly, and puts the vulnerable [who already struggle with digital capability, mental health issues, addiction etc.] at risk when they incur sanctions: Child Poverty Action Group (CPAG) found that sanctions “tend to reduce people’s capabilities”, including their physical health, mental health, financial security and coping abilities³⁵: No such sanctions would exist for a UBI.

Standing states: ‘A means-testing regime opts to exclude them [claimants] from entitlement, which means in practice that it has to introduce ‘behaviour tests’ and ‘attitude tests’. These are inevitably arbitrary to some extent, as well as expensive to administer, involving a huge cumbersome bureaucracy prone to make numerous errors³⁶’

Rigid conditionality, complex entitlement rules and administrative errors contribute to UC being an intimidating space for any claimant to navigate.

7. **UC is not fit for purpose, as arrears and foodbank use have increased since its introduction:** the Northern Housing Consortium found, in 2019, that the impact of UC on their tenants resulted in increased evictions due to rent arrears – up from 18%

³¹ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

³² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/643953/understanding-how-universal-credit-influences-employment-behaviour-summary.pdf

³³ <https://www.ft.com/content/9f3661b9-14cb-472a-9246-d784d436ea52>

³⁴ <https://www.theguardian.com/business/2020/apr/20/uk-workers-without-degrees-face-deeper-job-insecurity-amid-coronavirus-pandemic>

³⁵ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/benefit-sanctions/written/83464.pdf>

³⁶ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

to 27%³⁷. The Trussell Trust reported that food bank use rose in the months following the roll-out of Universal Credit, by 30% after 12 months and by 48% after 24 months³⁸.

8. **A high proportion of the money being spent on the system goes on administration,** on legal cases around appeals, contracts given to private firms (Capita and Atos)... and on procedural paperwork, rather than on giving people in need proper economic and social security³⁹.

One of the selling points for a UBI is that it is meant to be a simple system, with minimal administrative costs. This contrasts with Universal Credit, with the administrative cost being £699 per claim, around four times the target of £173 per claim⁴⁰. The CBI Trust produced a table which illustrates the differences between UC and a UBI⁴¹, in Appendix 1 of their 'Neither Universal nor creditable' report.

9. **UBI, in different forms, arguably already exists in the U.K. Social Security system:** the State Pension is a payment guaranteed to all citizens over a certain age, paid for by national tax. Child Benefit is also a guaranteed payment to the parent of a child in the U.K., ignoring means of the parent(s). The NHS is a National Health Service that is available to all, paid through national tax, regardless of means. The point of it is that it is not 'charity' as it is paid for by the taxpayer, with the ultimate goal of relieving money worries in the time of illness. The UBI can be viewed through the same lens, as not charity [funded by the taxpayer] but exists with the ultimate goal of relieving money worries in the time of changing circumstance, for all citizens.

10. **Arguably, there would be no need for a UBI if the current system wasn't so restrictive, unfair, punitive and inefficient.** As stated previously, this paper is not calling for UC to be scrapped, but it does not have the capacity to robustly support the tens of thousands who have been recently made redundant.

11. **A UBI should not preclude help for healthcare needs.** A Basic Income is a separate, non-conditional benefit paid to all. It is acknowledged, by the current system in the U.K., that those with disabilities have extra incurred costs, and need financial support to accommodate this. The disability charity Scope estimates that disabled people have to spend an average of around £550 per month on these extra costs⁴². If a basic income system were introduced, those with disabilities should be paid separate additional benefits⁴³. The basic income for the unemployed in Germany follows this, by paying housing and sickness benefits separately.

³⁷ <https://www.northern-consortium.org.uk/wp-content/uploads/2019/06/Universal-Credit-Revisited-Report-2019.pdf>

³⁸ <https://www.trusselltrust.org/what-we-do/research-advocacy/universal-credit-and-foodbank-use/>

³⁹ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

⁴⁰ <https://www.theguardian.com/commentisfree/2018/jun/15/universal-credit-colossal-catastrophe-national-audit-office>

⁴¹ <https://citizensincome.org/news/neither-universal-nor-creditable-a-report-on-universal-credit/>

⁴² <https://www.moneyadvice.service.org.uk/blog/the-extra-costs-of-disability-why-it-s-time-to-be-bold>

⁴³ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

What are potential positive impacts of a UBI?

1. 'Encourage and enable' all citizens to break the poverty cycle, by providing a certain financial platform to start budgeting, saving etc.
2. Remove the current structural inequality of the benefits system
3. Achieve a more equitable and fair society by providing income for unpaid workers [e.g. carers]
4. Encourage the growth of small businesses and self-employment
5. Provide a tangible financial cushion in times of financial strain, should Covid-19/recessions return
6. Improve social cohesion, by removing the stigma around the benefits system
7. Improve mental health of claimants, by removing conditionality

What are the potential objections?

1. 'A UBI will discourage job-seeking'

The current narrative, and skewed perception of those on benefits, needs to be challenged. A former DWP minister stated that a UBI 'goes against every aspect' of the government approach to welfare: 'Why would we put all that at risk by implementing a blunt policy of financial handouts that does not treat people as individual human beings..?'⁴⁴.

There are fears around a 'dependency culture', that those on benefits choose to receive them, as oppose to seeking employment. However, the recent Covid-19 crisis has demonstrated, on a national scale, how circumstances can change rapidly for those in work. Are those workers who have been made redundant [through no fault of their own] lazy? Are retirees, who receive a State Pension, lazy? A robust system should provide support for all.

2. 'A UBI will encourage immigration, and they'll take 'our' jobs'

The UK's labour market is thought to be a significant draw for migrants from both within the EU and from non-EU countries. Research suggests that economic growth and the demand for specialists in certain occupations increase demand for both high- and low-skilled labour⁴⁵. The introduction of a UBI is unlikely to suddenly change current immigration requirements, and, as it's paid to legally resident citizens, should not be paid to ex-pats. The CBIT also points out: 'As with other benefits, a government would be likely to require a period of legal residence before someone could receive a Citizen's Basic Income. Because any feasible Citizen's Basic Income would not be providing additional money, but would rather provide everyone with a secure layer of income, and therefore a greater employment incentive than means-tested benefits, anyone coming into the country would be even more likely to contribute to the economy than they are now⁴⁶.'

⁴⁴ <https://www.rightsnet.org.uk/welfare-rights/news/item/universal-basic-income>

⁴⁵ <https://fullfact.org/immigration/why-do-international-migrants-come-uk/>

⁴⁶ <https://citizensincome.org/citizens-income/more-questions/>

3. *'A UBI pays out to those who have means, and don't 'need' it'*
 In his 'Piloting Basic Income' report, Standing suggests: 'distributing to everybody would be more efficient, less expensive and more equitable...Since it would not be withdrawn as earnings rose, it would begin to eliminate the poverty trap and the precarity trap. It would be clawed back from above-median income earners through a modest rise in income tax, plus the efficiency gain from giving quasi-universally rather than using costly means-testing to target on the poor'⁴⁷. One of the main design points of a Universal Income is precisely that it is paid to all, which in itself simplifies and lowers the spiralling administration costs that currently plague Universal Credit.
4. *'A UBI requires extensive [and expensive] logistics and tax increases to implement'*
 The National Audit Office reported in 2018 that, so far, implementing Universal Credit has cost £1.9 billion⁴⁸. A fraction of this amount could be at least used to explore the feasibility of a UBI. Furthermore, there are 1,156 tax reliefs, according to the HM Treasury figures. Although the Treasury apparently cannot estimate the tax foregone from over 900 of them, for the 209 'principal reliefs' foregone revenue comes to over £400 billion each year....There [is] ample scope for raising funds for a new distribution system without raising income tax rates⁴⁹.
5. *'A sudden income for all could trigger inflation'*
 It has been suggested that, with a sudden influx of cash, consumers will immediately spend more, driving up demand, with manufacturers then increasing prices to ensure supply. Interestingly though, almost three fourths of recipients of the Alaska Permanent Fund actually save it for emergencies⁵⁰. The inflation query needs to be considered, but is not proof in itself that the UBI concept may not work.
6. *A UBI is not viewed as a route out of poverty, specifically by JRF⁵¹, taking the view that: 'It is not affordable, unpalatable to most of the public because of its 'money for nothing' tag and perhaps most importantly -- it increases poverty unless modified beyond recognition⁵².'* There is not yet enough empirical evidence to support these views; not enough pilots have been trialled yet to glean tangible results, particularly in the U.K. JRF admits 'One major issue is that we don't really know yet how people would respond to a true UBI in practice⁵³.' JRF wants to focus on improving the existing social security system; but this shouldn't preclude exploration of other concepts.

⁴⁷ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

⁴⁸ <https://www.ft.com/content/15b23c2c-6fa3-11e8-92d3-6c13e5c92914>

⁴⁹ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

⁵⁰ <https://www.thebalance.com/universal-basic-income-4160668>

⁵¹ Joseph Rowntree Foundation, an independent social change organisation that focuses on poverty

⁵² <https://www.jrf.org.uk/blog/universal-basic-income-not-answer-poverty>

⁵³ IBID

What is the potential cost?

There are a number of suggestions as to how this could be financially achieved, from raising income tax, to removing the HMRC personal allowance. Microsimulation research has been carried out to gauge a sustainable Basic Income scheme

CBIT explored the feasibility of implementing a UBI without costing more to the public purse. When giving evidence to the Work & Pensions committee, the Citizens Income Trust stated: “Research at the Institute for Social and Economic Research at the University of Essex has shown that such a new layer of unconditional incomes would be entirely feasible. By reducing to zero the Income Tax Personal Allowance and the National Insurance Contributions Primary Earnings Threshold, levelling out National Insurance Contributions across the earnings range, and raising Income Tax rates by just three percentage points, it would be possible to pay an unconditional income of £63 per week to every working age adult, with different amounts for different age groups. No additional public expenditure would be required.”

A single infrastructure could be created, which contains a person’s name, contact details and bank details; this would allow the UBI to be administered nationwide. It could utilise existing databases, e.g. HMRC, NINO etc.

Pilots

International

Pilots of Basic Income variations have been trialled in countries including India, Brazil, Canada and Kenya. In 2020, House Speaker Nancy Pelosi saying that a guaranteed income may be ‘worthy of attention now’⁵⁴. Presidential candidate Andrew Yang proposed a UBI, called the Freedom Dividend⁵⁵. Twitter’s Jack Dorsey donated \$5 million to Yang’s ‘Humanity Forward’ foundation, saying ‘UBI, was a “long overdue” idea and “the only way we can change policy is by experimenting and showing case studies of why this works.” Yang responded: “We know UBI for every American is possible, and this \$5 million... is going to help demonstrate what is possible for families across the country.”⁵⁶

The Alaska Permanent Fund paid each resident an average of \$1600 in 2019, from oil revenues; this scheme has operated since 1982⁵⁷. A study found that the Fund resulted in a big increase in part-time employment and an increase in employment overall⁵⁸.

⁵⁴ <https://www.latimes.com/politics/story/2020-05-20/>

⁵⁵ <https://www.yang2020.com/what-is-freedom-dividend-faq/>

⁵⁶ <https://wcrvnews.com/politics/twitters-jack-dorsey-is-giving-andrew-yang-5-million-to-build-the-case-for-a-universal-basic-income/>

⁵⁷ <https://www.thebalance.com/universal-basic-income-4160668>

⁵⁸ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

In 2017, the Hawaii state legislature passed a bill declaring that everyone is entitled to basic financial security. It directed the government to develop a solution, which may include a guaranteed income⁵⁹.

Standing points out: 'In past pilots, particularly in North America, much more attention has been given to labour supply issues than to any other, followed by possible impact on health and schooling, both of which have been positive. These are issues that should be given attention in any pilots in the UK. However, it is recommended that they should give more attention to possible impact on ...stress, insecurity, debt and work other than labour in jobs⁶⁰.

Unlike Universal Credit, which focuses on the sole issue of encouraging claimants into work, a universal income would instead aim to be of a more holistic benefit to the claimant, having a positive impact on other circumstances.

Europe

A poll by Dalia Research in 2016 found that 68% of people across all 28 EU member states said they would definitely or probably vote for a universal basic income initiative⁶¹. Since 2016, the calls for investigation into a UBI have become more urgent:

The European Commission has agreed that a new European Citizens' Initiative about Basic Income can begin in November. On the 15th May 2020, the EU Commission agreed to register a Citizens' Initiative for an EU-wide Unconditional Basic Income (UBI). If the Initiative collects 1 million signatures from at least seven different EU countries within a year of the start of the campaign, the European Commission will be required to consider the initiative and respond⁶².

The first national, government-backed Basic Income experiment has just concluded in Finland. It ran from 2017-18. Their study states: "The basic income recipients were more satisfied with their lives and experienced less mental strain than the control group. They also had a more positive perception of their economic welfare⁶³."

Spain is introducing a targeted version of Basic Income, aimed at the poorest households, specifically to support them during Covid-19⁶⁴. Spain's Social Security minister said that those receiving the basic income, which will be approved by the cabinet in May, will have incentives to find work, such as being allowed to combine the monthly stipend with wages from a new job for a period of time.

⁵⁹ <https://www.thebalance.com/universal-basic-income-4160668>

⁶⁰ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

⁶¹ <https://www.theguardian.com/world/2016/jun/02/state-handouts-for-all-europe-set-to-pilot-universal-basic-incomes>

⁶² <https://basicincome.org/news/2020/05/a-new-european-citizens-initiative-about-basic-income/>

⁶³ <https://www.theguardian.com/society/2020/may/07/finnish-basic-income-pilot-improved-wellbeing-study-finds-coronavirus>

⁶⁴ <https://www.reuters.com/article/us-health-coronavirus-spain-economy/spain-to-pay-basic-income-to-help-poorest-weather-coronavirus-idUSKBN21Z18X>

Germany pays the unemployed a stipend, which can be suspended if claimants didn't actively seek work; a seemingly similar concept to Jobseeker's Allowance in the UK, where claimants can be sanctioned if they do not meet requirements.

In 2019, Germany's Supreme Court ruled that this is unconstitutional, instating new regulations that guaranteed a minimum payment of 300 euros/month, indefinitely, for the unemployed [housing and healthcare is provided separately]. The Supreme Court stated that dramatic reduction in benefits for people who aren't looking for work, "seriously encroaches upon the minimum standard of living guaranteed by fundamental rights."⁶⁵

It is also worth noting that, in October 2019, the unemployment rate in Germany was just 3% in October — the lowest rate in 39 years⁶⁶.

Reports

The Scottish government allocated £250k for a feasibility study, carried out by 4 local authorities [Fife, North Ayrshire, Glasgow City Council and City of Edinburgh]⁶⁷. Both Canada and Scotland approached BI pilots from an anti-poverty stance, and Scotland asked its Poverty and Inequality Commission to help collate the findings⁶⁸.

The report presents a proposed model for a pilot which would aim to understand the impact of a CBI on poverty, child poverty and unemployment, as well as health and financial wellbeing, and experience of the social security system. The pilot would run over 3 years, allowing sufficient time for the realisation of short and some medium-term outcomes, and would explore two levels of payment⁶⁹. Paul Vaughan [member of steering group] states:

“We are clear that a pilot of basic income is desirable, and we have described how and what would need to be done for this to happen. However, we also recognise that, at this time, it's not currently feasible to progress to a pilot due to the very complex legislative, technical and delivery challenges associated with the institutional arrangements needed for a pilot. If these barriers are to be overcome, sustained support across all levels of government (local, Scottish and UK) for the duration of the pilot and evaluation will be needed.”

The four councils involved will now discuss and debate the report's findings, before formally passing it to the Scottish Government at the end of the month.

England & Wales

The Green Party of England and Wales produced a consultation paper in 2015, on 'Basic Income: A detailed proposal', which 'sets out in detail a comprehensive plan for a

⁶⁵ <https://www.businessinsider.com/german-supreme-court-adopts-basic-income-policy-2019-12?r=US&IR=T>

⁶⁶ IBID

⁶⁷ <https://basicincome.scot/2020/06/10/draft-final-report-cbi-feasibility-study/>

⁶⁸ Exploring the practicalities of a Basic Income pilot': Carnegie UK Trust

⁶⁹ <https://www.rightsnet.org.uk/welfare-rights/news/item/citizens-basic-income-pilot-is-desirable-though-is-not-without-significant-challenges-say-scottish-councils>

simultaneous reform of the social security, income tax and National Insurance systems'⁷⁰. It explores how much people in different circumstances could potentially receive, and how the system could be paid for. The paper also provides helpful comparisons between the Green Party and the CBIT's calculations.

Guy Standing produced a paper for the Shadow Chancellor of the Exchequer: 'Basic Income as Common Dividends: Piloting a Transformative Policy'. He sets out the case for a Basic Income, and suggests five variants of pilots that could be investigated. He states: 'The crucial points for designing a pilot are that the basic income is quasi-universal (not means-tested), unconditional, individual and non-withdrawable. A pilot should test each of those characteristics, by comparison with the existing system. But a specific pilot need not necessarily test all the elements to be useful.'⁷¹

Ireland

Ireland produced a green paper⁷², which looked at the Basic income concept, and assessment of the possible impact of introducing Basic Income. It was not meant to be either for or against the Basic Income concept, but rather to stimulate debate.

UK/Europe

The Citizens Basic Income Trust [CBIT] and Basic Income Earth Network [BIEN] are two organisations which publish research, reports and news specifically focussed on the concept of a Basic Income. Their websites include world-wide studies and papers. The Journal of Social Policy published: 'Precarious Work, Unemployment Benefit Generosity and Universal Basic Income Preferences: A Multilevel Study on 21 European Countries'⁷³.

⁷⁰ <https://policy.greenparty.org.uk/assets/files/Policy%20files/Basic%20Income%20Consultation%20Paper.pdf>

⁷¹ https://www.progressiveeconomyforum.com/wp-content/uploads/2019/05/PEF_Piloting_Basic_Income_Guy_Standing.pdf

⁷² <https://www.socialjustice.ie/sites/default/files/attach/policy-issue-article/3304/16601.pdf>

⁷³ <https://www.cambridge.org/core/journals/journal-of-social-policy/article/precarius-work-unemployment-benefit-generosity-and-universal-basic-income-preferences-a-multilevel-study-on-21-european-countries/E53F5FA54F973530E7C76F772FF61C00>

Conclusions & Recommendations

- 1. Any Basic Income pilot needs to be tailored**, [as suggested by the Carnegie Report] to consider the economics, culture and political landscape of the country: e.g. a pilot that works in Alaska may not be suitable for N. Ireland. European countries are exploring Basic Income with trials and projects; these should be examined to see what is possible in the U.K. It has also been suggested that a pilot should consider framing, design, implementation, evaluation and communication⁷⁴.
- 2. Political consideration**: will a UBI be designed for N.Ireland or the U.K. as a whole? Social Security is a devolved matter for N.I., however the tax system is not. The local authorities in the Netherlands were obliged to negotiate with their government to pass legislation that allowed the tests they sought to carry out⁷⁵. A multi-agency, cross cutting approach is recommended. On the same theme, policy makers and politicians need to ensure a stable and secure pilot: Canada's pilot was forced to finish early following a new government election in 2018⁷⁶. A pilot can't perform to its full potential if ended prematurely.
- 3. Economic considerations**: Ireland's Green Paper suggested that tax experts are needed, given the higher income tax rates that would be required to fund it and its possible behavioural implications for the labour market, tax compliance, migration and national competitiveness. The difference between nominal tax rates, marginal tax rates and effective tax rates is an important element in discussion of the possible impact of a Basic Income system⁷⁷. It should be noted that the simplicity of a Basic Income should ensure substantial administrative savings: the Green party's consultation paper estimates these savings to be around £8 billion⁷⁸.
- 4. HMRC to pursue payment from large corporations**. HMRC estimated that £5.8bn in UK corporate taxes were avoided by multinationals in just one year⁷⁹. It's suggested that several large businesses do not pay sufficient tax in the U.K., including Apple, Amazon and Facebook. They do this by using tax havens, loopholes and schemes to legally avoid paying UK corporation tax. Despite these being legal loopholes, it is still morally wrong and charity Action Aid, along with many other organisations have called for the Government to make changes to stop these companies from getting away with their acts.⁸⁰ This would ensure a more robust revenue for the public purse.
- 5. A Steering/Working group** to oversee further studies and predictive models on UBI, to investigate the possibility and sustainability of a UBI. This group should comprise of civic groups and independent experts, not only government employees.

⁷⁴ 'Exploring the practicalities of a Basic Income pilot': Carnegie UK Trust

⁷⁵ IBID

⁷⁶ IBID

⁷⁷ <https://www.socialjustice.ie/sites/default/files/attach/policy-issue-article/3304/16601.pdf>

⁷⁸ <https://policy.greenparty.org.uk/assets/files/Policy%20files/Basic%20Income%20Consultation%20Paper.pdf>

⁷⁹ <https://www.ft.com/content/00de4f00-b754-11e7-8c12-5661783e5589>

⁸⁰ <https://realbusiness.co.uk/six-companies-that-avoid-paying-their-taxes/>

6. **Challenge the narrative**: The hearts and minds of the public could be gauged through surveys and polls, to evaluate the public's interest and understanding of a UBI.
7. **An evaluation framework** needs to be established, to measure the positive and negative impacts any pilot may have.

Acknowledgments

Charlotte Brennan, Bridget Meehan

Contact: charlotte@adviceni.net

Advice NI,

Advice NI, Forestview, Purdy's Lane, Newtownbreda, Belfast, BT8 4AR | Tel: 028 9064 5919 | Email: info@adviceni.net | Registered Charity No. NIC100008

Advice NI is registered as a company limited by guarantee in Northern Ireland (NI071966) | HMRC Reg. No: XR16104

Advice NI is authorised and regulated by the Financial Conduct Authority (FRN 618881)

Disclaimer: These materials are the intellectual property of Advice NI and cannot be adapted, redistributed or reprinted without the express permission and license of Advice NI nor used to deliver or facilitate any training event without the express permission and license of Advice NI. Please check the issue date of this document and that you have the most recent information.

© Advice NI 2020



Contact information:

**Advice NI Policy Team
Kevin Higgins (Head of Policy)
Advice NI
Forestview
Purdys Lane
Belfast
BT8 7AR
Tel: 028 9064 5919**

Advice NI Policy Team:

Name :

**Kevin Higgins
Charlotte Brennan
Bridget Meehan**

Email:

**kevin@adviceni.net
charlotte@adviceni.net
bridget@adviceni.net**

www.adviceni.net @AdviceNI