

# Basic Income as Common Dividends: Piloting a Transformative Policy

A Report for the  
Shadow Chancellor  
of the Exchequer

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**This is a report presented to the Shadow Chancellor, and the views are solely those of the author and should not be attributed to the Labour Party or to the Shadow Chancellor.**

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## **Foreword**

**Patrick Allen, Chair of the Progressive Economy Forum**

I am delighted on behalf of the Progressive Economy Forum to have supported the preparation and launch of this report into piloting basic income for John McDonnell, the Shadow Chancellor of the Exchequer.

Our system of social security is in crisis and has moved far from the scheme devised by William Beveridge, which was intended to banish want forever and provide security from cradle to grave.

Since 2010, social security has been subjected to significant cuts and a massive redesign, of which Universal Credit is the latest example. Many benefit rates have been frozen while tax allowances are regularly uprated for inflation. Conditions and sanctions are imposed routinely on vulnerable people leaving them with no means of support or money to buy food and ineffective rights of appeal. These draconian and intrusive measures have led to stress, hunger, evictions and suicide. Food banks, which scarcely existed before 2010, are now to be found in every major town and city.

There has to be a better way and as the fifth largest economy in the world we can clearly afford to do better. No one in this country should be so poor that they cannot afford to buy food for themselves and their children. No one should be subjected to capricious sanctions that summarily take away all means of support for weeks or months at a time.

Guy Standing has promoted the concept of basic income for many years and is a world authority on the subject. Basic income has been the subject of much debate. This paper deals comprehensively with the common objections but importantly moves the debate on to the question of pilot schemes, how to design them and where they should be carried out.

An effective pilot has the ability to demonstrate the strengths or short comings of a basic income scheme. Pilots have been tried in many countries – recently Finland and the Netherlands. Now it is our turn and I hope that the next progressive government will make it a priority to design and implement a pilot. Something must be done to reform our social security system to provide security to all our citizens and basic income could be the way to do it. If it helps to abolish sanctions and render food banks unnecessary that alone would be a major achievement. But much more than this is at stake. By providing our citizens with security for their basic needs of a home, subsistence and health we lay the foundations for a prosperous and sustainable economy for the benefit of all.

## **1. Introduction**

What is basic income? At its core, it would be a modest regular payment to each individual to help them feel more secure and able to purchase necessities for living. There is nothing in the concept itself to say how much it should be and nothing to say it should be paid instead of any other policy or that it should be financed by a steep rise in income tax, although obviously the funds would have to come from somewhere.<sup>1</sup> Of course, at some stage an advocate has to say how much should be paid, why it is desirable and even necessary, what are the answers to commonly-stated objections, and how it could be afforded. Answering these points is one objective of this report and the background research that preceded it.

There are many reasons for wanting a basic income system, some uniquely modern, some that stem from way back in our history, first enunciated in *The Charter of the Forest* of 1217, one of the two foundational documents of the British Constitution, the other being the Magna Carta, sealed on the same day. The Charter asserted that everybody had a *right of subsistence*, realisable in and through the commons. This is a human or citizenship right, not something dependent on specific behaviour or some indicator of merit-worthiness.

The primary justifications for a basic income are ethical or moral, not instrumental. It is first and foremost a matter of *social justice*. The wealth and income of all of us are far more due to the efforts and achievements of the many generations who came before us than to what we do ourselves, and if we accept the practice of private inheritance, as all governments have done, giving a lot of ‘something for nothing’ to a minority, then we should honour the principle of *social inheritance*.

If one is religious, one can say that God gives the wealth of the planet to all of us and also gives us unequal talents, so that a basic income would be a compensatory adjustment.<sup>2</sup> If one accepts the existence of the commons – the common resources bequeathed to us as society, natural or social in origin – then one should accept that over the centuries – and savagely during the austerity era – there has been organised plunder of the commons by privileged private interests at the cost of all of us as commoners.<sup>3</sup> Seen in this way, those who have gained from being given, or who have taken, the commons should compensate the commoners in general for the loss.

As we are all commoners, the compensation should be paid to *all equally and without behavioural conditions*. Since the ultimate commons is the land, and as Thomas Paine was the author who most captured this justification, we might call this the Paineian Principle.

A second ethical justification is that, however modest the amount, a basic income would enhance personal and community *freedom*. It would strengthen the ability of people to say ‘no’ to exploitative or oppressive employers and to continuation of abusive personal relationships, and it would strengthen what is often called republican freedom, the ability to make decisions without having to ask permission from persons in positions of power. It would not do all that wholly, but would be a move in that direction. One way of putting it is that the emancipatory value of a basic income would be greater than its money value, which is the opposite of most social policies.<sup>4</sup>

The third ethical justification is that it would provide every recipient, and their families and communities, with *basic security*. Security is a natural public good – you having it does not deprive me of it, and we all gain if others have it too. Whereas too much security can induce ‘carelessness’ and indolence, unless someone has basic security, the ability to make rational decisions diminishes and health is threatened. We will come back to that.

A basic income would also strengthen *social solidarity*, because it would be an expression that we are all part of a national community sharing the benefits of the national public wealth created over our collective history. It is essential to revive that, since in recent decades, there has been an erosion of social solidarity linked to excessive individualism and competition. Although a basic income would be paid individually, it is not *individualistic*, because it is universal and equal, in stark contrast to means-tested social assistance or tax credits.

This report, requested as a contribution to policy development by the Shadow Chancellor of the Exchequer, begins by defining a basic income, then considers the unique combination of pressures that make it almost imperative for any progressive or ecologically principled government to wish to implement it. The report recognises that a system with a basic income at its base would represent a principled reversal of

the trend towards means-testing, behaviour-testing and sanctions that has evolved into Universal Credit. Accordingly, it includes a critique of that alternative, along with a critique of similar directions taken with regard to disability benefits.

It continues by briefly considering the main objections that have been made to basic income, and then turns to the main objective of the report, namely the proposal for the next government to implement a series of pilots, or experiments, to determine if a basic income would have the anticipated beneficial effects, if it would have any negative effects, what would make a basic income function optimally, and what indirect effects could be anticipated if implemented nationally. Undertaking pilots would not necessarily commit the government to rolling out a basic income system, but would inform public debate on its potential, the feedback effects and the likely economic and social implications.

To be clear from the outset, this report advocates a strategy with the following features:

1. It would reduce poverty and inequality substantially and sustainably.
2. It would make nobody in the bottom half of the income distribution system worse off.
3. It would enhance economic security across the country.
4. It would not involve any dramatic increase in income taxation.
5. It would not involve any dismantling of public social services, and would be compatible with a strategy to achieve public service regeneration, desperately needed in the wake of the savage austerity era.
6. It would reduce the number of people dependent on, and subject to, means-testing and behaviour-testing.
7. It would contribute positively to the urgent fight against ecological decay.

## 2. Defining Basic Income

Let us start by defining a basic income, bearing in mind that the primary objective is to improve lives while helping in building a 21<sup>st</sup>-century income distribution system that would leave nobody who is currently economically insecure worse off. The following are the defining aspects:

**Basic.** It would be an amount that would make a significant difference to the income of those currently earning or receiving low incomes. It would provide some basic security, but by no means total security. The idea allows for the basic income to start at a low level and rise as resources are mobilised and as experience with the impact grows.

**Cash.** It would be a payment in money form or in some acceptable substitute, as long as it does not compromise the ability of the individual to make his or her choice on how to spend it. So it would not be paternalistic, as in the case of vouchers or food stamps, for example.

**Regular and Predictable.** The individual should know that the money would be paid at regular intervals, probably monthly, and would be paid as a right. This would be unlike many existing benefits that are made uncertain and subject to deductions or variations in value. As such, it would be paid **automatically**. For the individual, this would mean that the perceived value would be greater than the same amount if paid via means-tests and behaviour-tests.

**Individual.** It would be paid to each individual, equally to men and women, with – in principle – a lower amount paid to each and every child under the age of 16, paid to the mother or surrogate mother as the case may be. This would be paid to every individual regardless of gender, race, marital or household status, income or wealth,

employment status or disability. It is important that it would not be paid according to household or family status, since that is a behavioural matter ('endogenous').

Note that nothing in the concept of basic income precludes additional supplements to cover for special needs. The intention is to provide everybody with equal basic security. So, anybody with a medically-accepted disability involving extra costs of living and/or a lower probability of being able to earn income should receive a 'disability benefit' on top of the basic income, a difference with the current set of policies being that the entitlement should be based on medical criteria and likely costs of treatment, and not on means-tests and pseudo-capacity to work tests, which involve moral hazards.

**Unconditional.** This means that it should be paid without the imposition of behavioural conditions. This is a fundamental difference from the general trend in social policy, which has resulted in numerous arbitrary rules that penalise and punish minorities. It would be unconditional in terms of past activity, present activity and future use of the basic income money.

**Quasi-Universal.** The basic income would be payable to every legal resident, with a pragmatic rule of entitlement for legal migrants. The terms 'universal' and 'citizens' basic income' have been widely used, but will not be used in this report to avoid potential confusion and misrepresentation. Not everybody coming to Britain could be entitled to it, and not every UK citizen would be entitled to it, in that several million people holding British passports are living and working abroad. So, as far as citizens were concerned, entitlement should be restricted to those who are *usually resident* in the country.

If the term 'citizens' basic income' were used, that would imply that all non-citizens living and working in Britain would be excluded, which would be unfair. A pragmatic rule would have to be applied in determining which migrants would qualify. A simple rule could be that someone would qualify if they had been in the country legally for at least two years. Beyond that, if the UK remained in the European Union, entitlement would have to accord with EU law.<sup>5</sup> This does not mean that other migrants and refugees and those seeking asylum should be ignored altogether; their needs should be covered by other schemes.

**Non-Withdrawable.** The basic income would be payable to all entitled under the above rules and not be withdrawn as income or personal circumstance changed, as is the case with means-tested benefits. Subject only to change by parliamentary legislation, it would be a *permanent* right.

There are two forms of basic income considered in this report. The first, which for ease of reference is called Basic Income (BI), is where a regular cash payment is paid

instead of some other state benefits and subsidies. This is the more commonly considered in analytical and empirical work in Britain, notably by the Citizens Basic Income Trust, where usually some 'revenue neutral' constraint is imposed, meaning that paying for it is based on rolling back some means-tested benefits and subsidies and on raising income tax rates.

The second form is more radical and involves paying an additional benefit, which may be called a Commons Dividend (CD). This rests on the premise that every usually resident citizen and legally accepted migrant should receive a share of the collective accumulated wealth of the country and be compensated for loss of the commons, i.e., common resources that should belong to all of us equally. Depicting basic income as commons dividends may be politically easier, since it would be harder for critics to say it would be a payment to 'non-workers' via taxing those who 'work'. One might even depict it as integral to a system of *dividend capitalism*.

### 3. Why is Basic Income needed?

The ethical justifications given at the outset – social justice, security, freedom and solidarity – are powerful reasons for wanting a basic income system. But the urgency of needing it now is a reflection of what might be called a *perfect storm* of factors that have created the basis for a remarkable coalition of supporters.

Most debate in Britain on social policy refers back to William Beveridge's epoch-defining report in 1942. But the type of economy and labour market of Beveridge's time differed sharply from current realities. We are living in an age of economic *uncertainty*, for which contributory insurance schemes are inappropriate or insufficient.<sup>6</sup> Today a growing proportion of people are in the precariat, living bits-and-pieces lives, relying on low wages and incomes that are increasingly volatile and unpredictable and on inadequate and uncertain benefits in times of loss of earnings power.

When he wrote his report, Beveridge said it was a 'time for revolutions, not patching'. He was correct, since the old pre-war framework had broken down and been unable to deal with the Great Depression. He summarised what he believed to be the post-war challenge in terms of needing to slay five giants – Disease, Idleness, Ignorance, Squalor and Want. We have not seen the adequate slaying of those. But today there are eight more giants stalking the land.

## Slaying the Eight Modern Giants

### 1. Inequality

There has been an extraordinary increase in many forms of inequality in the neo-liberal era of globalisation.<sup>7</sup> What has happened amounts to nothing less than the breakdown of the 20<sup>th</sup> century income distribution system. It is a global phenomenon, not just restricted to Britain, even though it has been worsened in Britain by the inequalities of austerity.

For much of the 20<sup>th</sup> century, the share of national income going to profits and the share going to workers in the form of wages and benefits were roughly constant. Wages on average rose steadily and wage and salary differentials were modest. Starting in the 1980s, the labour share in national income has shrunk and earnings differentials have widened. In 2018, GDP was nearly 10% larger than its pre-crash peak, yet median earnings even in money terms were lower than in 2008.

The Gini coefficient after housing costs – an overall measure of income inequality – has jumped from 0.26 in 1980 to 0.38 today, a huge increase, and there are good reasons to think this is an underestimate.<sup>8</sup> The OECD reported in 2018 that income inequality after taxes and transfers in the UK was much greater than in most other OECD countries.<sup>9</sup> There are also grounds for believing that the old system is not only broken but most unlikely to return. If we could just accept that, we could concentrate on building a new distribution system fit for the 21<sup>st</sup> century.

The global economy has moved into what is best described as *rentier capitalism*, in which the economic returns to property – physical, financial and ‘intellectual’ – have jumped dramatically, while the returns to labour have dropped.<sup>10</sup> There are various reasons for this structural shift, but it would require unprecedented and unlikely international coordination to alter the current pattern or trends. Nominally to attract capital, governments have cut direct taxes, particularly on profits and high incomes, and have increased subsidies to corporations and property owners, while cutting benefits and subsidies for lower-income groups.

But the giant that the greater inequality represents is causing disquiet even among the winners in the rentier economy. The more thoughtful among them realise that they have been winning too much, and that such an unbalanced system is economically, morally and politically unsustainable. They are expecting to have to make concessions. Some are openly saying so.

Consider some facts:

- It is claimed that ‘work is the best route out of poverty’. Yet today in Britain 60% of those classified as in poverty have someone in the household in

employment, which is 20% higher than in 1995. A growing number of jobs do not enable people to escape from income poverty. Britain is not alone in this trend, but it has been among the worst.<sup>11</sup> Reforms in labour standards, minimum wages and collective bargaining could moderate this, but the pattern is likely to persist.

- In 2018, four million children were in households that were too poor to enable them to have a healthy diet, even though many of their parents had jobs.<sup>12</sup> Those families lacked money; the social security system was failing them. In a wealthy country like Britain, no child should be going to bed hungry, and for four million to be doing so is an indictment of the over-complex, moralistic benefits system. The Resolution Foundation has estimated that because of Universal Credit and other welfare cuts, the number of children in poverty will rise to 5.2 million by 2020.
- Unlike profits, rent and dividends, wages in Britain have been stagnating for many years. In 2018, according to estimates by the Office for National Statistics, average total pay including bonuses was £491 a week, which was £31 lower than a decade earlier. The Resolution Foundation has estimated that, whereas for many decades the average wage doubled every 29 years, now it may not double again before the end of the century, and then only if favourable circumstances hold.
- Wage differentials have grown enormously, and if account were taken of loss of non-wage benefits by those in the precariat, earnings differentials would surely be shown to have grown even more. For those in the bottom half of the income spectrum – most in the precariat – wages have fallen by more than average and can be expected to continue to lag behind those of the minority earning good salaries and receiving part of the rental income from the high and rising returns to capital and ownership of physical, financial and intellectual property.
- Wages have stagnated in all industrialised countries, even where unions are much stronger than they are in Britain.<sup>13</sup> The country needs stronger unions with fresh ideas. But in a globalised economic system, particularly one characterised by rentier capitalism rather than free markets, the ability to raise real wages is limited.
- For some years, wages were propped up by tax credits as a way of offsetting wage stagnation, with tax credits rising to over £32 billion a year in 2011, before being cut back by the Coalition and Tory governments. Resort to tax credits was recognition that wages were not rising as in the past. They were a stop-

gap, and much of the money spent on them benefited employers, who could regard them as a subsidy, allowing them to pay lower wages.

- Low-income families need a third more income than a decade ago to have a socially acceptable ('minimum income') standard of living, according to research by the Joseph Rowntree Foundation. To put that into perspective, a lone parent employed full-time on the minimum wage would be short of that acceptable minimum by £70 a week. So, a basic income of that amount would enable a lone parent to move out of poverty, and even one of £50 would go a long way to that end.
- Wealth inequality is much greater than income inequality, and has risen much more.<sup>14</sup> This is largely due to the rentier character of modern capitalism, in which the market value of all forms of property has risen dramatically. Net private wealth has risen from 300% of the size of the national economy in 1970 to over 600% today, while net public wealth has declined, partly due to a transfer of public to private wealth.<sup>15</sup> And the concentration of private wealth has increased. While wealth has boomed, the poorest fifth of households have experienced a decline in wealth in real terms.<sup>16</sup> The 'something-for-nothing' economy has done rather well, in that most of the rise in wealth has had nothing to do with work.
- Wealth inequality is also increasingly underestimated, partly because it has been easier to squirrel away financial wealth in tax havens and in fancy financial instruments beyond the reach of regulators and tax collectors. Globally, hidden financial wealth may account for 10% of the world's GDP, and such is the scope for wealthy people in Britain to hide theirs that the UK is much above average in this respect.<sup>17</sup> A conscientious study of international tax evasion and avoidance showed that UK unrecorded offshore wealth has grown rapidly since the 1980s and by significantly more than recorded onshore wealth.<sup>18</sup> It is almost double what it is in other countries, coming to almost 20% of GDP. That long-term trend has concealed the extent of the growth of wealth and income inequality.

**Conclusion:** Given the emergence of rentier capitalism and the regressive trends summarised above, which are neither morally nor economically justifiable or sustainable, a sensible practical strategy would be to recycle much of the rental income, from the few to the many, and the best way of doing that would be through basic income in the form of *commons dividends*.

## 2. Insecurity

Alongside the giant of inequality is the giant of economic insecurity. There has always been insecurity in society, and it has long been known that it has deleterious consequences for individuals, for families and for communities. But what was supposed to distinguish modern Britain was that social and economic insecurity would decline and be moderated by the welfare state.

This was the essence of the Beveridge model that took shape in the wake of the Second World War. The idea was the state would limit the risk of adverse events – shocks – and provide contributions-based insurance (mainly paid by employers) against such shocks, to enable people and families to cope with them better and to recover from them sooner and more easily. The main threats were known as contingency risks – unemployment, illness, accidents, disability, frailty and old age.

The trouble started when the contributory principle frayed, because entitlement to benefits had to be extended to people who were not in positions of paying contributions, or who had not had them paid for them, and because more people were unable to build up adequate contribution records. The situation became more stretched as more people in jobs suffered from poverty and income volatility, leading to expansion of so-called ‘in-work benefits’. At every point, decisions had to be made about who was ‘deserving’ of receiving benefits and who was not. With all this came greater complexity and more arbitrary decisions by bureaucrats. The social security system became a zone of insecurity.

But, as the original core of Beveridge’s system gave way to a morass of inequitable complexity, something more structural had been taking place as well. Modern insecurity is characterised by chronic *uncertainty*. Economists differentiate between *risk* and *uncertainty*. With risks you can calculate the probability of adverse or favourable outcomes, and develop an insurance strategy based on probabilities, with national or social insurance schemes allowing for those with low probabilities of an adverse event subsidising those with higher probabilities. With uncertainty, you just do not know. There are ‘unknown unknowns’. No actuarial calculation of probabilities can be made, and so it is hard to develop a social insurance system as an adequate response.

It is uncertainty that is so dominant in 21<sup>st</sup> century insecurity. You can be adversely affected by events that take place at the other side of the world, by elections elsewhere with which you had nothing to do with, by global warming disasters that you barely comprehend, by trade shifts in globalisation that reflect a technological breakthrough somewhere or other, and so on. Who is hurt and who gains is almost random, except that those with more resources do not seem to be hit and often seem to gain from such mishaps.

Insecurity is chronic. Today, regardless of their employment contract, many more people in jobs are afraid of losing or expect to lose their jobs than used to be the case. More people feel insecure about their home; more feel insecure about their personal relationships; and more of those feeling insecure act inadvertently in ways that make all that worse.<sup>19</sup>

**Conclusion:** Basic security is what economists call a superior public good. It is a basic human need, and if one person has it then that does not deprive others of having it. Indeed, others having it improves one's own basic security. Social policy should be judged by whether or not it provides basic security. Basic income does just that. And it would do so better than a negative income tax (NIT), which is sometimes proposed as an alternative, since with a NIT there is no a priori knowledge of how much a potential recipient would receive, and it would tend to fluctuate in value, as well as being complex to calculate and administer.

### 3. Debt

At the time of the financial crash in 2007-08, the Conservatives blamed 'public indebtedness', and used that to justify their austerity strategy, which has decimated so much of our country's social infrastructure. In fact, though, research showed that it was high *private* debt that created the conditions for the crash, and *not* public debt.<sup>20</sup> Ironically, a major consequence of the austerity policies pursued since 2010 has been the expansion of private debt, which is still continuing to rise. It is higher in the UK as a ratio to GDP (87%) than in any other OECD country.<sup>21</sup> One strange anomaly is that income growth has lagged behind consumption growth, partly due to low wages and the attempt by people to maintain their living standards.<sup>22</sup> More debt has filled the gap. The trend is unsustainable.

In mid-2018, the Office for National Statistics reported that household debt was higher than at any time on record, with households on average spending £900 more than they received in income during 2017. Others have estimated that average household debt was £15,000 in 2018, and is expected to rise to £19,000 in 2022. Some 8.3 million people had 'problem debt' due to unsecured consumer credit. Debt has also been exacerbated by the four-year freeze on local housing allowances, used to calculate housing benefit for private tenants. Almost everywhere debt has been rising.

For instance, in Fife the local council has been dealing with widespread rent arrears that have been rising by £120,000 a month, and in October 2018 rent arrears were standing at over £8 million, from a council house population of about 30,000; most of those in arrears were on Universal Credit. As in many parts of the UK, the debt was

putting unrelenting downward pressure on the council's capacity to finance social care and other essentials.

Private debt has a wider cost for society. The National Audit Office has estimated that the economy is losing £900 million a year simply from the effects of private debt, due to the resultant ill-health and increased use of the NHS, increased crime, more depression and lower productivity, compounded by the government's debt collection practices.<sup>23</sup> There is also 'concealed debt' in the form of unpaid utility bills, missing council tax payments and alleged overpaid benefits, amounting to some £19 billion.<sup>24</sup> Consumer borrowing reached £213 billion in 2018, has been rising much faster than wages, and has been linked to benefit cuts.

Debt is worsened by erratic earnings. The Resolution Foundation has found that nearly three-quarters of workers with steady jobs have unsteady incomes, with extreme monthly volatility being the overwhelming norm for low-paid workers. Most could not make any savings, but instead experienced more stress and rising debt. Routinely running out of money for short periods, because of wildly fluctuating earnings, causes people to skip medications and get gouged by payday lenders.<sup>25</sup>

**Conclusion:** Debt is systemic in modern Britain, and its reduction must be a key aspect of social policy. A basic income would not eradicate debt, but it would help in limiting involuntary debt, giving individuals and families more control of their finances, knowing that at least something was coming in every month. As we shall see, the evidence from pilots elsewhere is that even a modest basic income results in less indebtedness.

Unless something is done to arrest its growth, debt will almost inevitably result in another financial crisis. Then stop-gap policies introduced in haste may help, but as was shown after the financial crisis of 2007-08, these will be inefficient and sluggish. A basic income system would impart greater resilience.

#### 4. Stress

Our society is confronted by another giant that is an indictment to a wealthy country, namely a pandemic of stress, which is causing a *morbidity crisis*, involving more physical and mental ill-health. Stress is debilitating, induces mental decline and has contributed to a rise in morbidity and a rise in suicides and suicidal tendencies. It has been exacerbated by insecurity, debt and inequality.<sup>26</sup>

More people report feeling out of control of their lives, feeling their time is squeezed and that demands on them are incessant. In 2017, stress was found to be responsible

for 37% of all work-related ill-health cases and 45% of all working days lost to ill-health.<sup>27</sup> A quarter of all adults were suffering from stress-related long-term ill-health. The perceived threat of destitution has also been linked to physical ill-health.<sup>28</sup> Chronic psychological stress is linked to greater risk of depression, heart disease, diabetes, autoimmune diseases, upper respiratory infections and poorer wound healing.<sup>29</sup> To put the failure to address this in perspective, in 2018 an authoritative study showed that the UK was one of only two OECD countries (the other being the USA) in which average life expectancy was declining.

Stress is compounded by money worries and anxiety about fulfilling conditions for means-tested and behaviour-tested benefits. The Adult Psychiatric Morbidity Survey carried out for the NHS found that 43% of ESA (Employment Support Allowance) claimants had attempted suicide at some point in their lives, compared with 7% of other adults.<sup>30</sup> This should have been a signal that care should be taken to avoid adding to the stress they were bearing. Nothing was done. In late 2018, the government implicitly recognised the crisis by making the ‘mental health minister’ also the ‘minister for suicide prevention’, surely a reflection of an unfolding social tragedy. The ESA policy had strengthened suicidal tendencies, and yet the government has persisted with it.

Psychologists have shown that ‘resource scarcity deprives individuals of fluid intelligence, compounding the disadvantage conferred by lives of poverty.’<sup>31</sup> 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 thinking.<sup>32</sup> In such circumstances, it would be unfair to hold stressed-out people responsible for their everyday behaviour if the economic system beyond their control were largely responsible for the psychological conditions. It is also important to appreciate that being in receipt of needs-based welfare (i.e., means-tested social assistance) intensifies stress and leads to reduced activity of all sorts, dubbed the ‘activity trap’ by the Activity Alliance.<sup>33</sup> This should be borne in mind in assessing the common sense and equity of applying strict conditions on applicants for something like Universal Credit.

In a basic income experiment in Ontario, which was terminated by a right-wing government on taking office (see Appendix 1), an analysis of the data gathered in the first year found that 88% of basic income recipients reported being less stressed. And in Finland, an official analysis of the first year of a basic income pilot found that the incidence of depression among recipients had fallen by 37%. Such findings must have some social value.

**Conclusion:** A basic income could be expected to reduce the incidence and intensity of stress, partly by improving people’s sense of control of their time. The opposite is the case with existing social assistance policies. As reported later, past and ongoing

pilots elsewhere have shown that basic income does tend to reduce stress and thus improve health, reducing healthcare costs and raising productivity, at both individual and community levels.

## 5. Precarity

Millions of people are 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>34</sup>

Perhaps worst of all, they are, and feel like, *supplicants*, having to rely on asking people for favours, for permission, for help, which if not granted threaten their ability to function. The original Latin meaning of precariousness was ‘to obtain by prayer’. That is what it feels like to be in the precariat; one is dependent on others’ goodwill. This is undignified, potentially traumatising and puts people on the road to losing the ordinary rights of citizenship.

An aspect of precarity is the increasingly discretionary character of welfare benefits, intensified by the government’s closure of the national Social Fund, which used to make one-off payments for exceptional needs such as replacing a fridge or a bed. Closing it increased people’s insecurity. Then the government oversaw the slow evaporation of funding for its replacement, the devolved welfare assistance schemes. Applicants must now plead for such help. They have become supplicants, with fewer social rights. But at least 28 local authorities have closed them altogether, through lack of funding, while others have shredded theirs.

Many examples could be given. One claimant reported to her GP, ‘You want to prove to the state that you’re as ill and disabled and incapable as you possibly can; otherwise, your kids might starve.’ One might wish to dismiss such a case as extreme, but it would be hard to deny that a zone of conflict has been created.

Among those clinging on with low incomes, many more are drifting down from the precariat into destitution, having to rely on food banks and other forms of discretionary charity. There was a fortyfold increase in the use of foodbanks between 2008 and 2017, and in 2018, the Trussell Trust recorded a 52% increase in the number of three-day emergency food packages distributed in the previous year. Foodbanks seem to be opening all over the country.<sup>35</sup> The city of Belfast is fairly typical. In 2012, there was just one food bank; in 2018, there were 17. Supplicants were queuing in hope rather than expectation. Britain is drifting into a state of supplicants. There are fewer and weaker barriers to crashing out.

**Conclusion:** Social policy should be judged by whether it reduces or intensifies precarity. In this regard, a basic income would increase people's sense of *agency*, feeling more in control and thus being able to exert more freedom of choice. Freedom should matter just as much for the disadvantaged as for everybody else.

The trends in government policy have substantially increased the extent of precariousness, by making many more people dependent on satisfying state and private bureaucrats. This development has not received the attention it should. The government has been using the power of the state to *control* disadvantaged people's lives; a progressive government should use the power of the state to *empower* disadvantaged people.

The progressive priority should be to increase people's sense of independent agency. In this respect, a basic income would do something that however well-intentioned paternalist social policy would not do, such as envisaged in the proposal for 'universal basic services'. Subsidising specific services presumes that it what they want and that the service can be provided to everybody needing them.<sup>36</sup> However, there is no contradiction between having quasi-universal basic services and a basic income. They address different needs. But having cash enhances freedom of choice, is more empowering and can be more transformative.

## 6. The Advancing Robots

One new justification for a basic income is the threat posed by robots and AI (Artificial Intelligence). Numerous reputable bodies, including the Bank of England, the OECD and the McKinsey Global Institute, have predicted that huge numbers of jobs will disappear over the next two decades.<sup>37</sup> Elon Musk, among other very wealthy and successful entrepreneurs who have made similar statements, has concluded that a basic income is a necessary policy for a fast-approaching future in which 'there will be fewer and fewer jobs that a robot cannot do better'.

There are reasons for scepticism about the more dire forecasts. Some, such as the World Economic Forum, even predict that AI will increase the number of jobs.<sup>38</sup> But what is certain is that the ongoing technological revolution will be increasingly *disruptive* and is already contributing to the economic uncertainty of modern life.

There is evidence that the technological revolution is accentuating the growing inequality and that high-paying jobs are more threatened than low-skilled, low-wage jobs.<sup>39</sup> The IMF has joined those predicting that robots will raise production but lower wages. Robot owners will gain, workers will lose. As the IMF concluded, 'Our main results are surprisingly robust: automation is good for growth and bad for equality.'

There is also a spreading view that the impending robots and AI are threatening to make more people *irrelevant* in the production process and in society, with a loss of control over how they can live. But the main feeling is that massive change is coming, for better or for worse. And we are still in the early 'installation' phase of a technological revolution that will roll out over decades.<sup>40</sup> The message should be clear. We need to have in place a distribution system that will ensure everybody in society shares in the economic gains from robots.

**Conclusion:** The benefit system should respond to those trends. In effect, a basic income would be a form of preparatory insurance, while giving everybody a greater sense of basic security against the understandable public fear of human displacement. Once in place, the basic income could be raised if anything like the dire predictions turned out to be true.

## 7. Extinction

The ecological crisis is a great societal fear, and is a giant confronting every individual in the country and is an existential issue for humanity and the planet. Drastic measures are required to arrest global warming, combat pollution and revive ecosystems.

It is regrettable that too many of us disregard what is happening unless it hits us personally or hits someone close to us. This myopic perspective must change. In late 2018, a movement began, under the deliberately alarming name of 'Extinction'. This has the potential to become a powerful 21<sup>st</sup> century movement, and deserves support.

In Britain and around the world, children, in particular, are suffering life-threatening illnesses from toxic air linked to transport using fossil fuels. Studies show that burning fossil fuels is 'the world's most significant threat to children's health' and that 'long-term exposure to air pollution impedes cognitive performance in verbal and maths tests'.<sup>41</sup> It induces mental illness in childhood and in adulthood, and later accelerates dementia. It is a source of inequality that has nothing to do with merit-worthiness, since low-income communities are more exposed and are uncompensated. In Britain, the Royal College of Physicians estimated that air pollution results in 40,000 premature deaths each year, and research published in the *European Heart Journal* estimated that it causes a cut in average life expectancy of one-and-a-half years.

Fossil fuels are also the main source of greenhouse gas emissions. The perils of rapid climate change have become only too clear, with Britain too facing disruption of weather patterns, droughts, floods and the threat of rising sea levels. All mainstream political parties have committed to the country's pledge under the Paris Agreement of 2015 to cut CO<sub>2</sub> emissions drastically by 2030. Existing policies and reliance on so-

called cap-and-trade purchase by multinationals of permits to pollute is scarcely making a dent in the problem and will not honour our national pledge.

In 2018, a detailed report by the Intergovernmental Panel on Climate Change (IPCC) concluded that unprecedented action is needed to stem global warming. It showed that to avoid massive and dangerous environmental destruction the world should be aiming to limit the rise in global temperatures to 1.5°C, rather than the 2°C targeted by the Paris agreement. Yet without urgent and decisive action, we will hit the critical 1.5°C temperature rise from pre-industrial levels by 2030. Rapid decarbonisation is the only way out of this mess. The time for tinkering around the edges is long past. The IPCC message was backed up shortly afterwards by a major US-based project that pointed to air pollution being the single biggest threat to human health. Put bluntly, these reports point decisively to the need for ecological taxes or levies.

One necessary measure is a substantial increase in carbon taxes. A statement issued at the UN Climate Summit in Poland in December 2018 by a powerful group of multinational investment funds managing \$32 trillion of investors' money called for 'meaningful' taxes on carbon and an end to fossil fuel subsidies. According to calculations by Schroders, one of the signatories, failure to keep the rise in global temperatures to 2% would cause long-term economic damage on three or four times the scale of the 2007-08 financial crash.<sup>42</sup>

A consensus is building, to which a transformative government should respond by adopting an approach that would have huge social and ecological benefits. Research by the International Monetary Fund has shown that a modest levy or tax on CO<sub>2</sub> emissions, of about £50 per tonne, would raise twice as much revenue as the conventional cap-and-trade approach, to as much as 2% of GDP. That would be 50% more effective in cutting greenhouse gases, enabling Britain to come close to meeting its Paris Agreement pledge.<sup>43</sup> It is imperative that we move in that direction. There are two problems. Taxes are unpopular and this tax or levy by itself would be regressive, since it would mean a low-income person paying more of his or her income.

President Macron in France has found that raising fuel tax by itself can bring social strife and political instability. But experience in Canada and Switzerland shows that those problems can be overcome if the government makes it clear that the revenue gained from the carbon tax, or much of it, is paid out as something like dividends to everybody. In Switzerland, every household receives a dividend paid from the carbon dioxide levy as an annual rebate on their health insurance premium. That comes to about two-thirds of the revenue raised from the levy, mainly going to households.

In Canada, Justin Trudeau has introduced even higher fuel tax than tried by Macron in France, but this is proving popular because it is being combined with a return of much of the revenue raised in the form of dividends paid to everybody. The new federal

scheme will mean that everybody will gain hundreds of dollars in dividends, which will tend to reduce economic insecurity and inequality.<sup>44</sup> In Ireland, the Taoiseach in January 2019 endorsed a carbon tax with all funds to go in direct cash dividends. Something similar should be done in Britain.

To reinforce the case for doing so, an American study found that, whereas a levy on CO<sub>2</sub> emissions would be regressive if used to cut personal income tax, it would be progressive, benefiting nearly all the bottom half of the population, if combined with recycling the receipts as universal lump-sum payments.<sup>45</sup> It would be better if such receipts were placed in a national fund, from which quasi-universal dividends, a form of basic income, could be paid. Another study by an international group of social scientists also concluded that a carbon levy would be popular if combined with payment of dividends.<sup>46</sup>

In short, we are facing an ecological disaster of catastrophic proportions unless we drastically alter the way we live and the way we treat economic growth as a necessity for raising living standards. The trouble is compounded because a disproportionate share of any economic growth goes to a minority at the top of the income spectrum, meaning that a higher rate of GDP growth is needed to reduce poverty. But more growth will mean more resource depletion and more global warming and other forms of pollution. Greens advocate 'de-growth'. There is considerable merit in that, but it would risk being interpreted as telling voters they should expect a decline in living standards, which will hardly appeal.

A better approach would be to recalibrate what is meant by growth. It need not be a rise in GDP, the conventional measure, but could be revised to give value to forms of work that are not counted in GDP and to give value to indicators of pollution reduction and natural asset depletion, perhaps using a 'genuine progress indicator', as some have proposed.<sup>47</sup>

One other change is vital. As a society, we must overcome the arbitrary distinction between 'work' and 'non-work' and give as much if not more value to forms of work that are not labour – care work, community work, work on improving our capabilities and so on. In October 2018, a report by the Office for National Statistics estimated that housework done by British people, including child care and elderly care, was worth £1.24 trillion a year, almost £19,000 per person. This was greater than the £1.04 trillion contributed by all UK's non-financial sectors.<sup>48</sup> Excluding 'housework' from measures of national income not only results in a systemic underestimate of our national income, but understates growth, since the value of such work has been rising.

This is fundamentally a feminist issue; the invisibility of work that is not labour has been a way of diminishing the contribution that women make to economic and social life. Overhauling our labour statistics will have an ecological as well as feminist

advantage, and a basic income would be a way of ensuring we can all make better choices between forms of work and labour.

**Conclusion:** The onrushing ecological crisis may come to be regarded as the decisive justification for a basic income system. Eco taxes and levies on uses of the commons are needed to curb pollution, global warming and the plunder of the commons on which we all depend. But because some of those levies would be regressive, so increasing inequalities, they will need to be matched by dividends paid equally to everybody. This is not even a left-versus-right issue. It is attracting support from across the political spectrum, as evidenced by open support in a *Wall Street Journal* op-ed signed by a broad cross-section of Democrats and Republicans and 27 Nobel-Prize winning economists.<sup>49</sup> Carbon dividends represents a strong moral and politically practical justification for basic income. But Britain could go further than follow the good Canadian example, by recycling revenue gained from levies on all forms of pollution and on intrusions into the commons.

There is also something very important in this sphere. If we could escape from thinking that only labour counts as work to be rewarded, then society would give care work the value it should be given. This is vital for women, in particular. In this regard, a basic income would help tilt people to doing more unpaid care and voluntary work, a shift that would have desirable ecological outcomes as well.

## 8. Populism and Neo-Fascism

The final politically frightening giant is the rise of right-wing populism, epitomised by the election of Donald Trump as US President in November 2016, and by the spread of populist parties across Europe, where over a quarter of the electorate now support populist politicians, according to recent research. The definition of populism is vague, but most populists support aggressive nationalism, anti-migration posturing, hostility to mainstream politics of the centre left and centre right and a willingness to tolerate or openly support authoritarianism and anti-democratic policies.

A major reason for the growing support for right-wing populism, or neo-fascism, is the combination of chronic insecurity and precarity. A revealing survey in France and Germany found that people had turned to the far right because they felt devalued as citizens in the economy. The Atavists in the precariat feel they have lost the Past and want it back; they will only resist the lure of populism and xenophobia if offered a secure Present and Future.

**Conclusion:** It is not too fanciful to suggest that a basic income system, by lessening insecurity, precarity, debt and inequality would arrest the drift to populism. People

would feel they had more to lose from the distribution system, that government was not indifferent to the blatant inequalities they observe around them, and might also worry about what would happen to their basic income if neo-fascist populists were to enter government.

## Universal Credit: Endgame of Means-Testing

The construction of the welfare state was one of the great achievements of progressive governments in the 20<sup>th</sup> century. However, reforms in the past four decades have weakened its moderating effect on inequality and contributed to increased insecurity, private debt, stress and precarity. By putting overwhelming emphasis on employment, including resource-depleting jobs, the present system disregards the ecological crisis. And its divisiveness and its impact on insecurity have been a factor in support for populist politics and the erosion of social solidarity.

These are strong claims. But the evidence in all respects is also strong. The problems start with the decisions in the 1980s and 1990s to combine flexible labour markets, which in themselves increased economic insecurity, with a shift to greater reliance on means-testing. What the latter means, at base, is targeting state benefits on those most in need, designated as ‘the poor’. To the layman, that sounds reasonable. But it means government must apply ‘tests’ to determine who is poor and who is not, which is where problems arise.

The first arises from the possibility that someone may act in a way to become poor by choice, by laziness, or by unreasonableness. A means-testing regime opts to exclude them 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 errors, however well-intentioned the bureaucrats might be. There is vast evidence from this country and from every other country that has extended means-testing that the errors are huge and inequitable.

The second problem arises from the fact that going from receipt of a means-tested benefit into a job paying an above-poverty wage leads to loss of benefits. That might not matter much if benefits were decent and if all jobs paid good wages and were full-time and stable. But in a flexible modern, service-oriented labour market, that is not the case. The sort of wages and jobs that someone on benefit could expect to obtain are low and uncertain. Therefore, as successive governments have admitted, someone

going from benefits into the sort of job they could obtain face in effect a marginal tax rate of over 80%. There has been no dispute about that.

That refers to what is known as *the poverty trap*. This creates a moral hazard, in that it acts as a disincentive to doing what someone would wish to do; it also creates an immoral hazard, in that because people gain so little and lose so much, they enter 'the black economy', not declaring work they are doing, and thus risk losing entitlement to certain benefits and even criminality.

But the poverty trap is worsened by *the precarity trap*. Particularly because of the deliberate delays introduced under Universal Credit (discussed below), a person does not obtain benefits immediately they become entitled to them and must wait many weeks. So, if they eventually do obtain them and then are offered a short-term job, or one likely to last only a short time, they would be foolish to take it since not only would they only gain about 20% extra but would face the prospect of soon being back in the queue waiting to renew benefits, perhaps without any income for several months. They would actually penalise themselves by taking a short-term job. This is grossly unfair and impoverishing.

The third problem should shame the politicians and social scientists who support means-tested benefits. Applying for such benefits is shaming, undignified, often costly, time-consuming and an implicit admission of personal inadequacy. It is potentially and often stigmatising, to yourself, your family, your friends, neighbours and potential future employers. To their shame, some politicians and civil servants designing means-tested, behaviour-tested conditional schemes explicitly want that to be the case, so as to reduce claims and 'save' money. The Treasury even factors non-take-up into their forecasts of annual expenditure on welfare benefits, by deliberately estimating that only a proportion of those entitled to them will claim or receive them.

Decades of research in many countries, including Britain, have shown, again and again and again, that means-tested social assistance schemes have inherent failings. They invariably involve high *exclusion errors*, i.e., a high share of those who should be receiving them do not receive them.<sup>50</sup> This does not mean those not claiming or receiving them do not need the benefits. Many will be just ashamed, or fear stigmatisation or do not know how to apply or how to navigate the rules.

Official estimates of non-take-up, which may be underestimates, show that in 2018 about 40% of households entitled to Pension Credit were not receiving it, 20% of those entitled to Housing Benefit were not receiving it, 44% of those entitled to JSA (Jobseeker's Allowance) did not receive it (a share that was rising) and half a million families with a disabled member entitled to ESA (Employment Support Allowance) were not receiving it. These figures are indicative of a system in bad shape.

Faced by evidence of costly administration and multiple inequities, in 2010 the Coalition Government launched an ambitious reform, led by a driven Secretary of State who had been a leader of the Conservative Party. The name given to the reform was *Universal Credit*, although it is neither universal nor credit. It is intended to be an integration of six forms of means-tested benefits, with tougher conditionality. The scheme has been an unmitigated disaster.

Started by the Conservatives and Liberal Democrats and continued by the Tories, the design and unrolling of Universal Credit have taken eight years so far, and it still has a long way to go. As of early 2019, when a panicked Secretary of State announced a pause, it could be described as the biggest single extension of *state* power over the vulnerable in the past century and the most expensive, complicated and inequitable social policy.

It epitomises a phrase made famous by Hannah Arendt, 'the banality of evil'. Each step in its edifice may be a minor source of inequity. But the total edifice is causing incredible suffering and humiliation to a growing proportion of the British population. As of early 2019, it still had years ahead of being rolled out to the whole country, and was running over six years behind the government's own stated schedule. By the early 2020s, according to estimates by the Child Poverty Action Group, nearly half the children in Britain will be enmeshed by it.

Universal Credit is an instrument of state paternalism, which is ironic in that Conservatives boast they are against 'the nanny state' and say they believe in freedom. Under Universal Credit, 'welfare claimants' are told they will receive benefits only if they do what their bureaucratic minds tell them, which is often hard for them to do or in some cases even to know what to do.

Contrary to government claims, parroted in the media, that its design is good but that it is just suffering from 'teething problems', Universal Credit is *morally flawed*. Consider some of the design features:

- Initially, claimants were obliged to wait for six weeks before they could obtain benefits. A claim made by the scheme's designers was that this was to induce people to 'learn financial management'. Ensuring that claimants do not have any money to manage is a strange way of enabling them to manage their finances.
- After years of evidence of predictable consequential hardship, the government made a gesture in reducing the waiting period to five weeks, as if that would make much difference for those desperate for money. Low-income citizens, with rent to pay and debts to manage, are threatened with impoverishment and ill-health by having to wait for so long. How could anybody think otherwise?

- This was implicitly recognised by the DWP's introduction of short-term loans for which claimants must apply and pay back from their benefits when they start receiving them or when they are denied benefits. They still receive nothing for five weeks, if they are lucky, and for much longer if they are not, and then receive a reduced amount thereafter.<sup>51</sup>
- In September 2018, the Work and Pension Secretary, told Cabinet that 16% of claimants were not paid on time. Others put the real figure much higher.
- In 2018, the National Audit Office reported that in the past year a quarter of all new entitled claimants were not paid on time, with payment delayed on average by four weeks. The resultant hardship and insecurity should be obvious. About 40% of late-paid claimants had to wait 11 weeks or more.<sup>52</sup> The Russell Trust, a respected franchise charity organisation, found that nearly three-quarters of those forced to wait for benefits to which they were entitled fell further into debt, even though many were given loans that they had to repay once they started to receive their benefits. The Trust runs more than 400 food banks and reported that they were four times as busy in areas where the full universal credit service had been in place for 12 months or more as elsewhere in the country.
- In 2018, whistle-blowers from within the DWP revealed that mistakes and delays due to administrative complexity and under-staffing were resulting in an extra three week wait for benefits beyond the official 35-day wait for an initial payment.
- In the welfare state, benefits were meant to be a compensation for a mishap, loss of a job, an accident or a disability. If so, it is unfair to impose an additional cost on those hit, which treats them as if they were to blame, when there is no evidence one way or the other. It is a form of collective punishment, which is unacceptable under common law. If you own an apartment and insure it against fire, you would be very angry if your flat was destroyed by fire and then, in order to obtain compensation, you had to prove you were spending 35 hours a week looking for a job or another flat. In the case of benefits, the trope of 'no rights without responsibility' is unfair. Many people hit by unemployment are the victims of policies taken by government or mistakes made by employers. Why should the victims be required to pay additionally in the form of having to satisfy onerous conditions?
- Universal Credit relies on a regime of sanctions against claimants deemed not to have performed imposed obligations well. The nanny state says this is to improve their behaviour and 'social integration'. But there is no statistical evidence that sanctions or the threat of them enhances people's motivation to seek, prepare for

or take jobs. The opposite is the case.<sup>53</sup> So there is not even an instrumental justification for them.

- Other moral defects include the two-child limit, whereby since April 2017 any child who happens to be the third or higher child does not qualify to receive Child Credits or the child additions to Universal Credit. This is coupled with the rape clause that the government has introduced, whereby only if a woman can *prove* her child was due to her being raped is she given a benefit for the child. How likely is that? But in any case, it is the child for whom the benefit is needed. Denying benefits to children who are not a first or second child is crude class-based policy. The DWP had the cheek to describe this as ‘a key part of controlling public spending’.<sup>54</sup>
- Universal Credit also fails to treat people as individuals. By giving the benefit to only one designated household member, it is likely to entrench the power of abusive men over their women partner. In January 2019, the DWP announced it was thinking of giving it to ‘the main carer’. That might be better, but would still fail to treat people as individuals.<sup>55</sup>
- Another defect is the absurd presumed minimum income floor for the self-employed along with the in-work conditionality, neither of which could stand up to minimal legal scrutiny.
- In the six means-tested benefits that Universal Credit is replacing (known as ‘legacy benefits’) and Universal Credit itself, the failure to respect *due process*, a foundational principle of British society since Magna Carta, should be shocking. Consider some examples:
  - i. Employees sacked for alleged misconduct are subject automatically to a benefits sanction, preventing them from claiming Jobseekers Allowance for at least 13 weeks.<sup>56</sup> Individuals only have a right of appeal in limited circumstances, and the subsequent process is lengthy and costly, with an uncertain outcome. The rule is unfair. Why should the DWP take the word of one side without respecting any due process? For all it knows, the employer could just have wanted to end a labour relationship or just disliked the person. Denying a person the means of survival is not a matter that should be done without proper investigation. But as this would be too costly, it is not done. In that case, the rule is automatically unjust.
  - ii. When first applying for Universal Credit, claimants are forced to sign so-called employment ‘contracts’ committing them to doing as they are told or face *sanctions* in the form of denied benefits. What they are obliged to do under

those 'contracts' is often petty and arbitrary; they must turn up on time for repeated interviews (spending precious money in the process) and must prove they have spent a lot of time looking fruitlessly for jobs. They might be five minutes late or live where there are only a few possible employers to check and so cannot fulfil their required quota of applications, yet a bureaucrat can summarily sanction them by deducting benefits. This can have severe consequences for low-income people, threatening their ability to survive. Yet sanctions are made by unqualified people without a fair trial or access to legal assistance. Nobody in the elite would tolerate having their income taken away by government without notice or a proper trial. Yet this is what is happening to thousands of people struggling to survive. It is a morally rotten scheme.

- iii. Employees dealing with applicants are under-qualified to make judgments on benefit claims, and given budgetary constraints that is most likely to remain the case. Among others, during the preparation of this report, a Citizens Advice worker told me about a case involving an Irish claimant denied benefits to which she was entitled because the JobCentrePlus advisor said, 'Southern Ireland isn't in the EU.' The Citizens Advice expert responded, 'Yes, the Republic of Ireland is in it.' The JCPlus adviser retorted, 'No, it isn't.' 'Er - please check with your manager.' 'I have, and it isn't.' It took over a year for the claimant to obtain her benefits. One can expect such cases to continue. Salaries of officials are unlikely to rise much and the qualifications of frontline staff are unlikely to rise. If so, then having a system that to be fair is dependent on qualified people when there is no prospect of that being the case is dishonest.
  - iv. The number of benefit claimants sanctioned far exceeds the number of people fined in Magistrates and Sheriffs' courts for proven crimes and misdemeanours, and they are subject to much more severe punishments than those found guilty in those courts, even though decisions on guilt are made in secret by officials with no statutory responsibility to act lawfully.<sup>57</sup>
- The DWP has been obliged to report the number of claimants who have been subject to sanctions, and the number who have appealed against being sanctioned. The numbers in both cases are very high. But the number of appeals that are eventually successful is extraordinarily so. This does not mean the system is working fairly, as the Government would like to claim. It shows it is not working at all. Surely a fair-minded person would reckon that many among those sanctioned would not have the courage or endurance to appeal or the knowledge of what to do.<sup>58</sup> Many of our fellow citizens are beaten and demoralised. Many would fear that if they did appeal, they would be marked down as troublemakers and be subject to retributive treatment by the bureaucrats running the benefits system.

- Universal Credit is *workfare*, made clear by the Conservative Secretary of State responsible for its design, Iain Duncan Smith, who stated that he wanted Universal Credit to be as close to being in a job as possible. Following from that rationale, our citizens are put through a stressful time-using set of practices every day that intensify feelings of insecurity, anxiety and stigma. This is not incidental or unintended; it is the objective. The creation of a 'hostile environment' is deliberate. It is a disgrace. As one whistle-blower official, who had been dealing with claimants in the system, bitterly recounted, 'We are punishing claimants for not understanding a system that is not built with them in mind.'
- Universal Credit has also been a way of quietly cutting the level of benefits. Although it had long been clear that this was the case, the Work and Pensions Secretary finally admitted in October 2018 that many families would be worse off under Universal Credit than under the old set of benefits. She told her Cabinet colleagues that half of lone parents and two-thirds of couples with children would lose £2,400 a year under the new system.<sup>59</sup>
- The shambles of the DWP's old ('legacy') benefits and the Universal Credit-based system will grow worse in 2019. Throwing more money at it, as was done in the Budget of October 2018, will not overcome its moral and structural failings. The roll-out will be correlated with rising homelessness, a continuing rise in resort to food banks and a social atmosphere of more divisiveness and stigma. A high proportion of the money being spent on the system goes on administration, on legal cases around appeals, on lavish contracts given to private firms (Capita and Atos) and so-called charities, and on procedural paperwork, rather than on giving people in need proper economic and social security. It is crying out for wholesale reform, not for further tinkering.
- Under new rules, claimants must apply for benefits online. Unless reformed, soon about seven million Britons will be on Universal Credit, which will include many people unable to access computers easily. The DWP has said they should use public libraries. But under the government's austerity policy, many hundreds of public libraries have been closed and others have been reduced to shadows, particularly in rural areas.
- The administrative costs for Universal Credit are absurd. The National Audit Office (NAO) has found that on average each claim costs the DWP £699, against a supposed target cost of £173.<sup>60</sup> Estimating an annual figure for the total cost would be hard since the number of claims is rising fast. But that £699 should be considered in the context of 815,000 Universal Credit claims made up to June 2018. That is just the beginning. In recent years, DWP administrative costs have averaged about 3.5% of total departmental spending, although it is not clear what that

includes and excludes; it probably does not include contractors' administrative costs for disability benefits. There are also extra costs borne by local authorities.

- An NAO report concluded that the DWP spends between £30 million and £50 million a year applying sanctions and about £200 million monitoring the terms it set for jobseekers. In 2015, it 'saved' only £132 million in benefits not paid (actually less because it had to make £35 million in hardship payments to sanctioned claimants), so the net saving was just £97 million, less than half the cost of monitoring and applying sanctions. The NAO could not estimate the extra costs occasioned by sanctions to other parts of the public sector.<sup>61</sup> But it gave figures on appeals against sanctions, showing that they hit a lot of people and sanction decisions by private providers (Work Programme) were overturned much more frequently than decisions by jobcentres. Privatisation of decisions on benefits was always wrong, since the companies will aim to minimise costs and maximise profits.
- During 2018, in what was implicitly an admission that the system was in chaos, the Government turned to private companies and charities to help run it. The enormous payments made to these firms must be added to the overall cost, and means money that could have been used for benefits is being spent wastefully. But the contracts taken by charities compromised them. They could no longer claim convincingly to be independent, acting on behalf of citizens. In October 2018, it was revealed that many charities had signed contracts to take government money in which they agreed not to make any critical comment about the government. They chose to be gagged. The Charities Commission should remove their charity status; they are acting for and on behalf of the government. This moral and economic mess was predictable in a benefits regime based on complex means-tests and behaviour-tests, and arbitrary decisions by unqualified bureaucrats on who is 'deserving' and who is 'undeserving', without respect for basic legal principles of due process.

The following box summarises the main flaws in Universal Credit.

<b>Means-testing</b>	→ low take up; high exclusion errors; poverty trap; precarity trap
<b>High administration costs</b>	due to complexity, intrusive check ups on claimants; operation of bureaucrats dealing with 'contracts', etc.
<b>Inefficiency</b>	due to complexity and arbitrary nature of tests to which claimants are subjected
<b>Delays in payments</b>	→ resultant stress, debt, hardship, child poverty → homelessness, use of food banks, ill-health, suicides.
<b>Sanctions</b>	→ stress, debt, hardship, child poverty → homelessness, use of food banks, ill-health, suicides
<b>Lack of due process</b>	due to failure to respect common justice in determining entitlement and in imposing sanctions
<b>Targeting misses the targets</b>	due to the fact that the scheme is deliberately both onerous on claimants and intrusive.
<b>Unfairness for large families</b>	unfairness in excluding third and any subsequent children from benefits, so lowering benefits for all children in larger families
<b>Limits freedom</b>	due to the imposition of constraints on claimants and the bureaucratic directions imposed on them that are not imposed on other groups in society

That is surely a litany of flaws that justify saying that Universal Credit should be scrapped as soon as possible, beginning with a cessation of sanctions.<sup>62</sup> By contrast, among the reasons for supporting a basic income are that payment would be automatic as a right, so that delays would not arise, and issues of due process associated with sanctions would not arise.

## Reviving and Enhancing Disability Benefits

There are currently two main benefits for those with disabilities, one means-tested, the so-called Employment Support Allowance (ESA), the other based on tests of a person's 'capacity to work', the misnamed Personal Independence Payment (PIP). The latter replaced the Disability Living Allowance (DLA), which was not means-tested and which was based on the principle that society owes those with impairments a contribution to their extra costs of living. By contrast, the PIP is focused on making those with disabilities do work they are deemed able to do. Thus, assessors ask claimants 'when did you last work? (sic), when PIP is supposed to be a benefit to cover extra costs of living associated with disability.

The abolition of DLA by the Coalition Government was explicitly intended to reduce the number of people receiving disability benefits and the amount that many others received. Further restrictions were introduced. The problem is that now the system is designed not for the interests of those with disabilities but with forcing as many as possible to do as much as possible to obtain jobs or do more labour.<sup>63</sup> This re-orientation alters the whole ethos of the system.

As a result of their design, both ESA and PIP have high exclusion errors – many people entitled to them do not obtain them – and severe *moral hazards* – they penalise by introducing perverse incentives to act in ways that are not in their best interest.

For example, if a person with severe walking difficulties makes an effort to walk and can then walk twelve yards unaided, they are deemed fit to work and thus do not qualify for PIP. If someone else with a similar condition does not make such painful effort, they do obtain the benefit. The policy obviously penalises the 'striver'. All such tests are insulting. Similarly, people with episodic illnesses may be declared fit on one day, but have terrible affliction on another. The fitness-to-work tests are unfit for a dignified society. The benefit should be a compensation for the impairment costs and disadvantages linked to it.

People with degenerative illness or terminal cancer have been found fit to work by the bureaucrats, in some cases even after earlier being found unfit. In one case of a former senior civil servant suffering from Parkinson's and terminal prostate cancer, having been found to have well over the threshold number of points (11, the threshold being 8) in two assessments was found on a third assessment to score only two points, as if that was likely with a degenerative illness, and thus was denied the benefit. Because of his education and civil service background, he was able to take the matter to the courts and eventually win entitlement. How many people in such circumstances would have been able to do that? In short, there is no justification for continuing with a scheme so woefully arbitrary and flawed.

Showing how serious this is, an audit by the DWP itself found that one in every three PIP assessment reports completed by the private firm Capita between April and December 2016 contained errors or omitted relevant information, rendering decisions made on them suspect or simply wrong.<sup>64</sup>

In 2018, in what was probably a fit of conscience, one of the designers of the Work Capability Assessment (WCA) test used to determine whether someone received benefits or not told a parliamentary committee that the test was 'imperfect'. The WCA was designed and initially operated by the private firm Atos (up to 2015) and after that by another Maximus, and is done by nurses, not doctors, using a computer programme designed by Atos. For each assessment, Maximus has been charging the DWP £240, after which another bureaucracy must decide whether or not to accept the result, costing the public even more.

Administrative costs do not stop there. By 2018, the DWP and Ministry of Justice were spending over £200 million annually to deal with 'mandatory reconsiderations' and appeals against ESA and PIP decisions. It is a scathing indictment that two-thirds of all PIP and ESA claimants had the decision to deny them benefits overturned at 'mandatory reconsideration' stage or later won their appeals at the tribunal.<sup>65</sup> Surely any objective observer could understand the stress and hardship such an unreliable and prolonged process is likely to entail.

The complexity of the system is not only likely to generate expensive errors but is also likely to lead to elaborate cover-up of errors. Proof of that came in 2018 when Parliament's Public Accounts Committee (PAC) found that the DWP, having discovered a serious error in 2014 by which some 70,000 disabled people had been denied benefits unfairly since 2011, then concealed the knowledge and continued to underpay the disabled for another three years before the PAC discovered the truth.

Shockingly, the DWP said it would only backpay benefits to when the error had been discovered. The Secretary of State at the time of the PAC's discovery had been the DWP minister at the time of the cover up. Surely anybody involved in the cover up was more guilty of a misdemeanour than a claimant late for an interview, who is sanctioned by losing vital benefits. Senior officials must have known, and surely would have informed their political masters. Yet nobody resigned or was 'sanctioned'. A system that penalises those who allegedly make minor errors and leaves unpunished those who make major errors and are dishonest is plainly immoral.

Such injustice aside, the system is bound to produce errors, and must be overhauled. It was estimated that this one 'error' would cost the DWP over £340 million in back payments and £14 million in extra administration costs. When considering replacing Universal Credit with a system anchored on basic income, savings from avoiding such 'errors' should be taken into account.

The cost of human life is rather greater. In late-2018, under pressure from a Freedom of Information request, the DWP was forced to admit that every day about 100 people were dying while on one or other of the disability benefits and that about ten people died every day who had been deemed by the DWP as fit enough for moving into jobs.<sup>66</sup> Such figures are not only appalling, but highlight the arbitrary and inaccurate procedures the DWP has been following in pursuing its moralistic social policy.

**Conclusion:** The most relevant conclusion is that the current disability benefit system is unfit for purpose and lacks a moral compass. The combination of means-testing and work-capacity testing is demeaning. Benefits for those with impairments should be based on medical criteria determined by independent medical experts, not by employees of commercial firms paid to operate benefit policies and paid incentives to reduce 'costs'. This report agrees with *Disabled People Against Cuts* (DPAC), which has campaigned against the scheme claiming it has 'too many flaws to be simply paused and fixed' and is 'rotten to the core'.<sup>67</sup>

If a basic income system were introduced, those with disabilities should be paid *separate* additional benefits based on actuarial estimates of the extra costs of living imposed by the impairment and the lower earnings people with specific impairments could expect. Because the essential ethic of basic income is *compassion* (not pity), it would usher in a changed morality in which suspicion and sanctions would be harder to justify or spread. That would be a very good shift.

## Instrumental Reasons for Basic Income

Besides the ethical justification outlined earlier and its potential for combating the eight modern giants – and being potentially much better than its existing alternative in Universal Credit – there are several other reasons for moving towards a basic income as an anchor for a new distribution system. Most are considered extensively elsewhere and will just be mentioned here for reflection.

It is impossible to consider social policy reform in early 2019 without reference to Brexit. At the time of writing, it is still unclear what will happen. That should not be an excuse for inaction. Brexit in whatever form – and regardless of one's view on its desirability – will involve considerable 'collateral damage', in the form of lives thrown into disarray and worse. It is not for discussion here, but there are strong grounds for arguing that Brexit and the referendum that preceded it were the end result of nearly a decade of austerity, in which millions of Britons have been adversely affected. Introducing a basic income would be a modest compensation for all that suffering.

Having a basic income in place, even paying a fraction of what is required for a decent living standard, would help ameliorate the disruptive costs of Brexit, which will surely be borne by many of the least able to afford them.

Another factor to bear in mind is the link to housing. There is a need for basic income to complement a radical new housing policy, an urgent social need. Note in passing that without something like a basic income, the Finland-style housing policy favoured by Labour would not function well. There is a need to retain housing benefit and to implement rent control.

A vital feature of a basic income is that it would in effect reward forms of work that are not wage labour. It can be seen as a means of inducing people to spend more time doing care work. This is a new theme that deserves more emphasis. Britain is an ageing society, and there is ample evidence that it is suffering a substantial and growing 'care deficit' that will cost a growing amount. A basic income would enable more people to spend more time in caring for those they love, thereby incidentally reducing pressure on the Treasury to pay for public and private carers. In considering the net cost of a basic income, this expected saving should be factored into the calculations.

One factor that a progressive government should emphasise and have no qualms in recognising is that sensible, modern business folk, including leading entrepreneurs and CEOs of mainstream corporations also understand that basically secure people make more cooperative and productive workers, and even more rational consumers. Those on the political left should not be cynical about the fact that leading entrepreneurs such as Elon Musk and Richard Branson have come out in favour of basic income.

Another consideration is that basic income could be seen as a suitable macro-economic stabiliser – 'QE for commoners'. A basic income system could have a core payment, to be adjusted according to changes in real per capita income, and a cyclical component, which would rise in times of recession and fall in times of 'full employment' or high aggregate demand.<sup>68</sup> A basic income system would also tend to lessen regional inequality, because it would represent a higher share of per capita income in low-income areas and thus encourage desirable inter-regional mobility.

There is also growing evidence that a basic income has popular support and the potential for much more, contrary to jaundiced views by prominent figures who have not studied the subject. Two types of evidence are worth mentioning. Some years ago, a team of social psychologists conducted experiments in *deliberative democracy* covering large samples in three countries, in which they were asked to decide which of four options of fair distribution policy should have precedence, chosen from a point of view of *veil of ignorance*, that is, not knowing where they themselves would be in the distribution system.<sup>69</sup> In initial votes, the majority in all cases chose the income

floor, or basic income, option. But the most instructive outcome was that when the groups were requested to discuss the issues and vote again, many more voted for that option. What this implies is that deliberative debate may help engender stronger public support.<sup>70</sup>

More topical evidence comes from recent opinion polls in the UK. A European-wide survey that included the UK found strong public support.<sup>71</sup> But one survey, commissioned by the Royal Society of the Arts, known as the Populus survey, has gone further by focussing on the reasoning behind views for or against it. Overall, 41% of respondents were in favour, and 17% against, with the remainder saying they did not know or were neutral towards it. Because more women were inclined to be unsure, more men were in favour and fewer women were against. Nevertheless, the results implied that more than twice as many were in favour as against. Unsurprisingly, support dropped when people were asked if they would support it if income tax was used to pay for it. But this merely indicates that alternative financing should be pursued.

By contrast, in the poll only 19% of respondents believed the current system was adequate and that there was no need to experiment with a basic income. Some 45% said they thought it would do a better job at ensuring security than the current system. More than 56% said they thought it would encourage more work by removing the current disincentives. And 49% agreed with the statement that it would reduce the stigma associated with receiving benefits. Taking account of the 'don't knows', in each case there was a substantial majority in favour.

A final instrumental justification is less easy to quantify, but is potentially important for rebuilding our sense of social solidarity and society. Basic income paid to all usual residents would help to restore faith in an enabling (or 'empowering') state, combating the state paternalism and the growth of the panopticon state that have been powerful trends in the first two decades of the century. It would reduce the sense of precarity in that it would increase people's sense of agency, and thus also tend to reduce the associated stress.

## 4. What are the objections?

Before continuing to what is proposed as a policy for an incoming transformative government, it may be useful to summarise the main claims made by critics; the following and others are covered in more detail elsewhere.<sup>72</sup>

**A basic income would not work.** Much of the controversy surrounding basic income has been due to misunderstanding and misrepresentation. The idea is simply that everybody should be provided with basic economic security. One would wish every progressive to think that a good idea. Is that not what we would wish for our family and friends? This has not stopped critics from claiming that advocates want to dismantle the welfare state and that it would be totally unaffordable. Their claims should remind us of standard reactions to every new transformative policy, elegantly summarised by the late great political economist Albert Hirschmann, on grounds of *futility* (it would not work), *perversity* (it would have unintended negative consequences) and *jeopardy* (it would endanger other goals).<sup>73</sup> He pointed out that these reactions were voiced against unemployment benefits and family benefits and other benefits that we now take for granted, and went on to show that once introduced such objections tend to melt away, to be replaced by claims that the policy was ‘common sense’ and even inevitable. Nevertheless, it can be anticipated that critics will continue to misrepresent it and not be willing to consider the idea dispassionately.

1. **A basic income is unaffordable.** Some politicians and commentators have asserted that it would be unaffordable without raising direct taxes very considerably. However, there is considerable evidence that there are ways of paying for a basic income without sharp increases in income tax, especially bearing in mind that it would be replacing many means-tested benefits.<sup>74</sup> There is also scope for tax rises, if there were public support for that. Currently, tax take in

Britain is 35% of GDP, which is low by past standards and by comparison with other comparable countries. It averages 40% in the EU, and 47% in France. So, one could say Britain is undertaxed, which benefits the rich, who are not paying as much as their equivalents in other countries. Britain also spends a much lower share of national income on benefits than most European countries. Some commentators also propose funding basic income through monetary policy, a form of 'Quantitative Easing for People' instead of the Bank of England's 'Quantitative Easing' policy of releasing money to the financial markets. This could be a means of redressing a structural failing of the British economy, the growing deficiency of aggregate wage income to equal GDP growth, which is resulting in growing debt as consumers borrow to pay for goods and services, trying to maintain living standards.<sup>75</sup>

There is also scope for rolling back the incredible number of existing tax reliefs. There are 1,156, 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. Not all of that could be easily obtained, but as tax reliefs are distortionary and mostly regressive, they clearly point to there being ample scope for raising funds for a new distribution system without raising income tax rates. Critics of basic income might say that even if that revenue were recovered, it would be needed for other public spending, such as the NHS. That does not alter the point that modification to the existing tax system would make a basic income affordable.

There are other ways of showing how a basic income could be afforded. Stewart Lansley and Howard Reed, in a report for Compass, have proposed a three-step approach for phasing in a full basic income.<sup>76</sup> Their first step would be to convert the existing personal tax allowance into a payment to everybody of £25 a week in the first year. Many analysts would support this reform.<sup>77</sup> As Andrew Harrop, director of the Fabian Society, memorably described the current Personal Allowance policy, it is 'regressive universalism'.<sup>78</sup> Although nominally available for all, it is worth more for higher-income earners, and worth less to those earning below the threshold than it is to those earning above it. It is unnecessarily regressive. A new report by the New Economics Foundation has recommended that the personal tax allowance should be abolished and pay everybody £48 a week instead. The NEF's head of economics claimed this would not be a step towards a basic income, but it is hard to see why it could not be.<sup>79</sup>

In the Compass model, this would be followed by a series of up-ratings over the next nine years, followed by payments from the annual returns from the creation of a citizens' wealth fund.<sup>80</sup> The existing tax allowance system is regressive and is inferior to a 'partial' basic income that could take its place because the tax

allowance's value is not known in advance for many people. Such a 'partial' basic income has been recommended by Labour MP, Karen Buck and her colleague Declan Gaffney.<sup>81</sup>

To move from that, the usual proposal is to build a capital fund, which would provide returns that could be paid out as components of basic income. Such a fund is feasible and could be an important instrument for reviving national investment. The fund need not be financed by large increases in income or consumption taxes. And there is no need to take decades to build it up and use for paying basic incomes.

In a similar vein, the Royal Society of the Arts has proposed a 'universal basic opportunity fund' financed from long-term bonds that could pay out 'opportunity dividend' in a lump-sum payment.<sup>82</sup> This has the drawback of offering a capital grant rather than a basic income, but is seen by the authors as a step towards it. The same concern arises from the interesting proposal from the Institute of Public Policy Research for a fund that would provide every 25-year-old with a capital dividend of £10,000 from the year 2030.<sup>83</sup>

The writer of this report advocates a more general Commons Permanent Fund, in which a national investment fund would be built mainly from levies on commercial intrusions into the commons, boosted by contributions from a land-value tax, eco taxes, digital information levies and several others. Britain must raise eco levies to a high level in order to meet its climate change commitments. The key point is that the optimum way of building a basic income system would be to build a capital fund and pay out commons dividends that would rise gradually as the Fund grew. Again, no particular route is proposed in this report. The point is that there are ample reasons for being confident that a basic income is affordable.

Moreover, when talking about affordability something very important is left out. A basic income or commons dividends would have economic benefits that would lower the net 'cost', including reduced demand on health services, entry into the tax-paying economy of 'black economy' activity (due to the weakening of poverty and precarity traps), and savings on care costs due to a shift from labour to care work. It is hard to estimate how great these savings would be, but they are rarely if ever taken into account in costing exercises.

2. **A basic income would reduce work and encourage laziness.** Ironically, it is the current means-tested benefit system that acts as a systemic disincentive to take low-wage jobs, simply because of the poverty trap and precarity trap discussed earlier. If government targets benefits on those whose income is below some specified level, then trying to raise income to above that level would result in lost

benefits. Why bother in such circumstances? Going from what are meagre benefits into a low-wage job can result in a marginal tax rate of 80%. So, the person would only gain a little extra, which could become nothing after commuting costs and other work-related expenses are taken into account. The poverty trap is reduced slightly under Universal Credit, but still exists. But the precarity trap is greatly worsened. This has led government to tighten conditions, a sure sign that it recognises there is no incentive to take jobs for those in the lower-income end of the labour market. Even the World Bank's World Development Report for 2018 admitted that evidence from basic income schemes showed that it did not reduce work.<sup>84</sup> A study of one prominent scheme, the Alaska Permanent Fund and Dividends, found that it resulted in a big increase in part-time employment and an increase in employment overall.<sup>85</sup> There is extensive evidence that basic income actually promotes more work and more productive labour.

Most recently, the basic income experiment in Finland (see Appendix) found that removing the condition that the unemployed had to search for jobs made no difference to employment, and the basic income pilot in Ontario found that it induced a substantial increase in voluntary work.

3. **A basic income would be 'something-for-nothing'.** Actually, it would represent a modest social 'dividend' on our common wealth, a form of public inheritance. The criticism is particularly hypocritical coming from those who manage to have no objection to vast inherited wealth or to the numerous regressive subsidies for which recipients have done nothing, including the hundreds of selective tax relief to special interests. Among the recipients of such something-for-nothing is Iain Duncan Smith, the designer of Universal Credit, whose family has received well over £1 million in subsidies simply because he obtained inherited land through marriage. More positively, as basic incomes could be expected to give ordinary people more security and confidence and thus empower them, basic income could generate 'something for something' – *more work and more productive labour*.
4. **Why give a basic income or common dividends to the rich?** One can make an argument for why a quasi-universal system strengthens feelings of social solidarity. But distributing to everybody would be more efficient, less expensive and more equitable – without risking the high exclusion errors that always arise with targeted policies that are only for the poor.<sup>86</sup> 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.

5. **A basic income would be a threat to the welfare state.** There is no evidence that this is remotely likely or wanted by most advocates of a basic income. Right-wing libertarians want to dismantle the state in general. But their posture should be combated in general. As it is, the welfare state has been made more fragile and 'residual' in character by successive governments accelerating the trends to comprehensive means-testing, behavioural conditionality and workfare. None of the funding methods for basic income proposed in this report would mean there would be less money for public services.
6. **If workers had a basic income they would not join unions and would be less inclined to want to push for higher wages.** The first claim is immoral, since it implies that unions would not want workers to have income security. Fortunately it is also almost certainly wrong, since chronically insecure people are less likely to risk by joining collective bodies. Attitudes to basic income by union leaders should be interpreted with care. Some may believe that their unions per se should not promote it, even if they would support it if introduced. A basic income would encourage workers to back collective bargaining for higher wages, because having basic income security would make them less fearful. A basic income would be a boon to unionism.
7. **A basic income would be a subsidy to low-wages, and thus lower wages.** But while a basic income might encourage some employers to offer lower wages, it would strengthen the worker's bargaining position. It would not rise or fall if wages changed, whereas means-tested subsidies (tax credits) rise as wages fall. Current in-work means-tested benefits exert downward pressure on wages in the lower end of the labour market. Tax credits depress wages, particularly for low-wage women, and about a third of the money spent on them effectively raises the income of employers.<sup>87</sup> Tax credits are the modern equivalent of the infamous Speenhamland system that was introduced in the late 18<sup>th</sup> century, which was regressive and accelerated rural pauperisation. Besides holding down wages, modern tax credits have also almost certainly been a factor in depressing productivity growth, seen by many economists as the bane of the British economy.<sup>88</sup> If an employer can pay low wages because they will be topped up by tax credits, he will be under less cost pressure to invest and improve management to raise productivity.<sup>89</sup> In sum, a basic income would not depress wages, whereas existing tax credits do.
8. **There is no need for basic income because the national minimum wage will take care of 'working poverty'.** The statutory minimum wage is popular. It is a moral standard setter. But not too much should be expected from it in the flexible labour market of the 21<sup>st</sup> century. It has limited reach to the precariat, but would be complementary with a basic income. Every year since the minimum wage was

introduced, hundreds of thousands of workers who should have been paid it have been paid less, and yet that has persisted for two decades, even though for much of that time there was a government strongly supporting it. In 2018, the Low Pay Commission estimated that 580,000 workers were underpaid. If unpaid overtime was included, that rose to two million, or almost a tenth of the labour force aged over 25. That is probably an underestimate, since in a flexible and insecure labour market it is hard to measure what is being paid, while vulnerable workers will be reluctant to report their plight for fear of retribution from current or future employers. To compound the disquiet, even though the maximum fine was 200% of every penny underpaid, while HMRC estimated that rogue employers underpaid staff by £15.6 million in 2017-2018, government fines came to only £14 million. The system should be made more efficient, but it is unlikely that a national minimum wage could ever be close to watertight. But what we could be confident about is that people having a basic income would be more confident and less fearful in reporting abuse of the minimum wage.

9. **People are not ready for or supportive of a basic income.** This was encouragingly refuted by the Populus poll reported earlier and by other opinion poll results. But basic income advocates do not dispute that there is still a need for more informed public debate. Where and when that happens, popular support grows considerably. In the Populus opinion poll survey mentioned earlier, the biggest objection to basic income *among those who opposed it* was the belief that it is unaffordable (73%), followed by the view that it would disincentivise work (72%). Neither view is correct, but must be addressed more effectively.

A result from the survey was the strong correlation between support for basic income and views on affordability and work, suggesting these are (as expected) issues on which to put emphasis and convince the electorate, that it is affordable and will not reduce the propensity to work. Those undecided on basic income were also the most likely to be unsure about affordability and work, again suggesting that if properly informed they could be enlisted to support it, if political leaders could show that it is affordable and would not reduce work.

Those who see the role of the welfare state as 'supporting the vulnerable' were most likely to favour basic income, by 3:1. Those who see the role of the welfare state as supporting 'traditional values' were the least likely to support it, although more still supported it than opposed it (39% to 31%). This group was also the most likely to think that basic income could reduce crime (52% to 17%) and that it would increase personal agency (62%). These perspectives are intriguing in suggesting lines of public debate. But none of the results suggest that the public are hostile to basic income. The reverse would seem to be the case.

## 5. What could be shown by pilots?

Fundamentally, as stated at the outset, the case for a basic income is ethical, strengthened by its transformative potential, in terms of building a new distribution system. If that were accepted, there would be no *necessity* for pilots before the policy were implemented. However, if properly designed and implemented, pilots could help in the legitimisation process, in that they could deal with 'low-hanging fruit' claims for or against it, such as the effects on work and labour, on mental and physical health and social attitudes.

In past pilots, particularly in North America, as summarised in Appendix A, 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 most of the giants outlined earlier, notably stress, insecurity, debt and work other than labour in jobs.

One potentially valuable feature of basic income pilots is that they could show positive feedback effects that would imply that the net cost of a basic income system would be less than the gross cost. For instance, there is secondary evidence that basic income security leads to less stress and mental illness. If pilots reveal that, it would imply that the cost would be reduced because fewer demands would be made on the NHS and fewer workdays would be lost to absenteeism or low-productivity 'presenteeism'. Testing for such possibilities must be built into the design of the pilot and the evaluation instruments.

As has been found in several countries, another valuable feature of pilots is that just their existence or even plans for them can induce more dispassionate and informed

discussion about basic income, and thus help in overcoming prejudices, such as the most common of all, that it will make people 'lazy'.

Pilots could also be useful as a means of exploring how a basic income should or could be phased into reality. As such, they would be a form of *demonstration project*.<sup>90</sup> They could also be the means of testing what, if any, other policies or institutional changes would be desirable to make it more successful. A variant of this approach would have two similar communities, in one of which basic incomes would be paid but where no other action was taken, and in the other in addition to the basic income an independent non-government body would be charged in some way with giving advice and assistance to recipients.

Attitudes matter. One widely held view, encapsulated in the eighth giant, is that people's income security affects their sense of altruism, their tolerance of strangers and ultimately their attitudes to democratic values and authoritarianism. There is considerable evidence that this is the case, and several pilots of basic income have strongly suggested that it has a positive impact on all those elements, and thus could be healthy for society, something that is rarely taken into account by critics. Pilots in the UK could help policy-makers factor that into their decisions. In doing so, it should also be borne in mind that community effects may be greater than if only a few individuals are provided with such security, so encouraging the design of pilots to be community-based rather than on random individuals.

Another potential value of pilots is that they could be used to identify what other policies could be used to maximise the benefits of a basic income, such as the involvement of independent NGOs. For instance, in pilots in India we paid basic incomes to everybody in four communities where there were no collective bodies to represent workers and disadvantaged groups in their dealings with others, and paid them in four other communities where SEWA (the Self-Employed Women's Association) was operational, being available to advise and assist people in making decisions.<sup>91</sup> In the UK, one might consider a similar design, and even incorporate funding so as to compensate a collective body, perhaps a union, for providing such guidance.

There is one obstacle in the way of doing pilots that is greater in the UK than in somewhere like India, which is that the existing tax and benefit systems are so complex and well-entrenched that it would be hard to displace for the purpose of testing what would be a different system. As has been realised in the ongoing preparation of pilots in Scotland and also in California, as mentioned in Appendix A, this is a significant problem when the government is not amenable to doing pilots. In the following, it is presumed that a progressive government would wish to overcome it. The same applies to the need to gain administrative approval and cooperation.

There is one other issue. From a political point of view, perhaps the biggest danger is that pilots become an excuse to postpone actual policy development and implementation. It is to be hoped that while pilots were in progress, feasibility plans and the funding base could be established on the hope and expectation that the primary findings from the pilots were about what besides the actual payments would make the policy optimally successful, bearing in mind that ultimately the justification for basic income or common dividends is social justice.

## 6. What should be piloted?

Recall the individual characteristics of a basic income as described in Section 2. 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.

In other words, the primary rule in the design of pilots is that they should respect the characteristics of basic income. This does not mean that any pilot should exactly mirror what a basic income system would be, because one might want to test the feasibility and impact of some aspects without dealing with others. The ideal would replicate what a basic income would be in every respect. But for practical reasons, trying to operationalise the ideal might be the enemy of piloting something sufficiently good to help justify the ideal.

Thus, one might want to test whether *behavioural conditionality* is necessary or equitable or efficient, while maintaining a means-test of some sort. Or one might want to test whether a modest withdrawal rate would be feasible. Or one might want to test whether different amounts paid would alter the impact on behaviour, perhaps in affecting the propensity to reduce or increase work and labour. However, as far as possible, one should wish as many characteristics of an ideal basic income as possible would apply – a basic amount, paid to all usual residents, paid regularly, without behavioural conditions and non-withdrawable.

What should be absolute rules are the following:

- a) The basic income must be paid to each *individual*. Each man and each woman should receive an equal basic income, paid directly to them and not to a 'household head', unless there was a mental health condition making it advisable to pay to the principal 'carer'. Paying individually is a vital *feminist* principle, which has been systematically abused in all social security systems over the past century, and which has been abused in Universal Credit.
- b) The basic income must be *unconditional*, in three senses – past activities, present status and use of the basic income. Recipients should not be required to spend the money in any specific way.
- c) The basic income must be *non-withdrawable*. It should be clear and guaranteed to recipients that they will not have their basic income withdrawn for any reason during the course of the pilot.

Bear in mind that for the purpose of a pilot, the amount paid as a basic income need not be judged by short-term affordability at national level. The pilot could be realistically *aspirational*, i.e., set amounts that the government could aim to be able to afford within the lifetime of a five-year electoral term, but which might be deemed impractical for cost reasons in the first year of government. In other words, during the period in which the funding mechanisms for a national scheme were assembled, such as a permanent capital fund, pilots that would be hard to afford without them could be tested and evaluated.

Bearing those points in mind, there are five types of basic income pilot that are recommended:

- **Model A.** Under this variant, a sample of people – a whole community defined as a locality – would be provided with basic incomes, with additional separate benefits for those with special needs. The basic income would be provided instead of existing means-tested benefits, with the exception of housing benefit, which should be retained (or be replaced by an equivalent to compensate for any loss of the housing element of Universal Credit). Provisionally, it is proposed that every adult in a selected community would be provided with £100, with £50 for each child, and with additional separate benefits for those with disabilities. As indicated later, the selection of the community should be random and be drawn from a group of low-income communities.<sup>92</sup>

Bearing in mind that existing benefit levels have been allowed to fall in real terms and that there is nothing optimal about existing tax rates, this model

should be regarded as *realistically aspirational*, in that it the test would be to see the impact on the population, recognising that funding such a scheme nationally would involve a significant cost that would have to be met by tax increases, diversion of public spending from other uses (such as subsidies and tax reliefs) or the establishment of a national commons fund as described earlier. A primary purpose of this Model would be to determine whether the benefits of such a scheme – such as improved health, reduced stress, more work and less crime, as found in pilots elsewhere – would merit consideration of this option in the future.

- **Model B.** Under this variant, a sample of people – again, preferably all members of an identifiable locality – would be provided with basic incomes of £70 per week for working-age adults, and £20 per week for children on top of Child Benefit. Tax codes for every recipient would become BR, thus imposing the basic rate of income tax on all earned income below the higher rate tax threshold. Means-tested benefits would be left in place, and basic incomes would be added to the means taken into account in their calculation, so each recipient household’s means-tested benefits would be automatically adjusted downwards, and their means-tested benefits would also be automatically adjusted upwards by the changes in net earnings brought about by the tax code change. Administration of the scheme would be possible if the recipient community were to be defined by postcode boundaries and the government was able to instruct HMRC and DWP to make the necessary changes within the recipient community.<sup>93</sup>
- **Model C.** Under this variant, a sample of people – again, preferably everybody in a local community – would be provided with basic income as a supplement to their existing state benefits. This would be firmly in the spirit of *common dividends*, and the per capita amount could be less than in the first case. One option might be to provide every adult in a community with a tax-free £50 per week for one year that was not taken into account in determining access to means-tested benefits. This would strengthen income security and be progressive, since the amount would represent a larger proportion of the income of a low-income person than for others.
- **Model D.** Under this variant, a sample of welfare recipient adults would just have existing conditions for entitlement to existing means-tested benefits removed, so as to make the benefits closer to a basic income, notably by removing forms of behavioural conditionality that permeate Universal Credit and other benefits at the moment. This type of experiment is close to what is currently being tested in The Netherlands and Finland, as described in Appendix A. It would have minimal net cost, and might even save public money.

- **Model E.** A fifth type of experiment is very different from all the others. This is sadly relevant to the austerity era, and would be a refinement of an approach taken in the City of London some years ago. As described in Appendix A, the gist of the policy was that a group of homeless were given a cash grant instead of the various measures made available, and it led to most of them obtaining places to stay, and thus actually saved the council considerable money over the longer term. Given the horrifying growth of homelessness across the country, this experiment should be repeated in a few other, randomly chosen places. It should not be made a national policy, but the results could be taken into account in formulating and implementing a national basic income system.

In sum, it is recommended that at least one of each of the five types of pilot be undertaken.<sup>94</sup> Indeed, depending on available funds, more than one of Models A, B or C should be conducted, along with four of Model E. The latter would be the least expensive, the most easily introduced and the most urgent given the alarming increase in homelessness across the country. For each of the other four models (A, B, C, D) a fund of up to £5 million should be budgeted. That would not be just for ‘research’, since in each case the community would benefit from the increase in income security that the changes would bring. The exact budget for any pilot would depend on the size of community, its earnings profile and duration of the pilot.

There are three other variants that might be considered. The first is what is called a *Participation Income*. This is the scheme proposed by the late economist, Sir Tony Atkinson, who was a supporter of basic income but who thought it would be made easier to introduce if it were provided on condition that the person performed a certain amount of work – he proposed 35 hours a week – which might be care work or voluntary work, and not necessarily labour in jobs.<sup>95</sup>

If this were a *moral* commitment to be made by recipients on beginning to take basic income, rather than one with sanctions if not followed, there should be no objection. But it raises several practical problems, including the difficulty of identifying and measuring non-wage work, especially counting hours spent on care. As a national policy, it would risk substitution (or displacement) and distortion effects. For example, if a basic income were provided for someone doing care work, that might lower the wages for others doing such work.

Another objection is that Atkinson’s proposed participation conditions would actually exclude only 1% of the population from receiving the participation income, at a huge cost of bureaucratic intrusive enquiry into every individual’s daily activities.<sup>96</sup> Another objection is that the participation condition might lead back to workfare and a drive to push people into low-paying jobs. Fuller critiques are provided elsewhere.<sup>97</sup>

A different proposal has been made by this writer, that on first registering to receive the basic income or common dividends, everybody should be required to make a moral commitment (not legally binding) to vote in General Elections and to participate in local political meetings at least once a year; this might be called the Pericles Condition, since it roughly corresponds to what happened in ancient Greek democracy. This would be a useful condition to be added to at least one variant of the above models, and would be relevant for assessing the drift to populism, the eighth giant threatening good society. The primary hypothesis would be that increased economic security would induce more altruistic political attitudes.

A final variant that might be proposed as a pilot is what might be called the *Capital Grant* scheme. In this variant, all recipients would be given a block grant at the outset, as in the case of winning a lottery prize or coming into a big inheritance. As it happens, this has been proposed by several reputable institutions, perhaps unaware that a pilot of this type has been conducted in England quite recently.

The Institute for Public Policy Research (IPPR) has proposed a £10,000 ‘universal minimum inheritance’. And a report by the Friends Provident Foundation floated the idea of an unconditional capital grant of £5,000 to everybody reaching age 25, citing Tom Paine as their inspiration. The trouble with such capital grants is what is called the ‘weakness-of-will’ drawback. What happens if they ‘blow it’, which may be the result of excessive risk-taking or just bad luck? Would the state then say, ‘Tough; you had your chance’? Or would it have to put the person on some other benefits? If it took the latter course, it would merely be encouraging reckless risk taking in the first place. Besides that drawback, the scheme would be slightly regressive, and would not appeal to all those currently over age 25, making it unlikely to appeal to the majority of voters.

Experience with capital grants elsewhere has shown contradictory effects. They have figured in several of the tribal casino schemes in the United States (described in Appendix A), and may have had a spike effect on mortality shortly after receipt, even though for the majority they have had longer-term positive effects on health and education, while lowering crime.<sup>98</sup> In sum, although capital grants would reduce inequality, modest regular basic income payments would be better.<sup>99</sup> And as such, this report does not recommend that a pilot should be conducted with capital grants.

## 7. How should pilots be designed?<sup>100</sup>

Whatever Model to be tested, there are certain design principles that should be followed. First, it is recommended that any pilot or demonstration project should be *replicable* and *up-scalable*. This rule is not too difficult to respect in the case of basic income experiments. For instance, if a local pilot were based on providing existing benefits without the existing behavioural conditions and without sanctions, the results might be positive, in showing that neither conditions nor sanctions are necessary. A critic might claim that this depended on the type of community covered, in which case it could be repeated elsewhere.

It is also strongly recommended that for Models A, B, C or D the pilot should cover a whole community rather than a random (or non-random) sample of individuals or households. In several pilots in other countries, this rule has not been applied, as in the case of Finland and in the Californian pilots under preparation, discussed in Appendix A. Not applying the recommended rule would not invalidate the results in relation to some hypotheses, but would tend to reduce the overall effects, because there are expected community and multiplier effects going beyond those applicable to individuals or their immediate families. So, taking even a small *community* would be preferable to a larger sample of individuals randomly selected from a large area.

In a test of Model E, it is recommended that in principle all the homeless of a definable community should be selected, but this would have to be done without prior warning, to avoid the moral hazard mentioned in the description of the London experiment in the next section. Identifying all homeless in an area may not be as challenging as one might think. Local authorities and homeless charities are able to determine the approximate numbers in their locality.<sup>101</sup>

It is also recommended that whatever community is piloted should be matched by having a *control group*, that is having an otherwise similar group of people not ‘treated’ in the way introduced by the pilot. Among social scientists, the currently most popular approach is to use what is called a *Randomised Control Trial* (RCT) methodology. As explained elsewhere, the pure RCT would be inappropriate for a basic income pilot.<sup>102</sup> If one individual in a household were provided with a basic income and others were not, there would be a variable degree of sharing and even resentment. If one household received it, and the next door neighbour did not, similar pressures would arise.

Although critics of pilots point out one obvious limitation, in that they are rarely ‘permanent’, almost by definition (with a few exceptions, discussed later), much can be tested and learned from short-duration pilots, as has been shown elsewhere. For some behavioural and attitudinal outcomes, there are what might be called Impact effects, which occur almost straight away. These may grow or fade away as the duration of receipt of the basic income grows. And there are Learning effects, as recipients come to realise what the basic income enables them to do or as their security and confidence grow.

Bearing these points in mind, it is recommended that the pilots should be operational for at least one year and optimally for two years. One reason for recommending that they should not be for much longer is that pilots should not be an excuse for not introducing a national policy. Lessons can be learned from as short a period as six months, as shown from pilots done elsewhere (see Appendix A).

While the overall design of a pilot is ultimately a political decision, in that it is necessary to specify what type of payment should be provided, what rules of entitlement should be used, what amounts should be paid and for how long the pilot should last, it is also recommended that the actual implementation and evaluation should be done independently, ideally by university-based teams of qualified researchers. That stated, there is scope for a more mixed approach to the specification of hypotheses to be tested, and the design of questionnaires and related material.

This leads to a crucial aspect of pilots, one that has sometimes been neglected or only sketchily done. The hypotheses to be tested should be stated and agreed before the pilot is launched. Inevitably some will come up during the subsequent analysis. But many evaluation surveys have been rendered much less valuable than they should have been by a lack of clarity on what is being tested.

Fortunately, there is now enough experience within the international community of social scientists concerned with basic income that the process of survey and questionnaire design should be much shorter than was the case a few years ago. An implication is that policy makers could expect that a pilot would be ready to start within a few months of a decision being made. It may be necessary for the political

decision makers to indicate which areas of interest should be given high priority. One of the understated lessons from ongoing experiments in the United States is that too many academics have become involved, each with specific and highly sophisticated hypotheses that they would like to see tested with ever-increasing precision. The best can be the enemy of the good.

Then we come to the instruments for conducting the evaluation of the effects. Contrary to the view of some researchers, this writer believes there is no perfect methodology or empirical approach to policy evaluation. A mix of methods is good enough. However, there should be detailed quantitative surveys conducted by well-trained and qualified researchers. In essence, there should be a Baseline Survey, that is, a census of all intended recipients and all members of the control group, conducted just before the pilot is launched. This should be followed by at least two Evaluation Surveys, one in the middle of the pilot's intended duration, one just before the end of it.<sup>103</sup>

Besides the quantitative study, it would be good to allow for a more anthropological approach through a selection of detailed case studies to gain impressions from recipients. An advantage of that is that it could provide valuable information for policymakers quicker than would be the case with the quantitative survey work. There should also be use of what are called Key Informants, such as local schoolteachers, GPs, local councillors, police, religious leaders from all faiths in the area and trade union representatives.

This leads to a delicate issue, raised in the previous section. Should civil society organisations be involved in the project design and implementation? One could not stop them being involved in an informal way, if they chose to intervene during the course of the pilot. But some social observers would argue that involving any of them formally in the implementation would be biasing the impact. This would surely not be a negative as long as the intervention could be replicable and up-scalable to national level as a policy parameter and as long as the organisation or organisations were fully independent.

Accordingly, as suggested earlier, it is recommended that at least one pilot (ideally more) be designed in such a way that in one community a straightforward basic income were paid to all residents, while in another otherwise similar community an independent Voice organisation – perhaps a revived independent Citizen's Advice or a broadly-based trade union or some other representative body – should be made responsible for advising recipients on how to respond to having a basic income. This is under consideration in preparatory work for a pilot in Fife, and was successful in pilots in India. Consideration should also be given to providing such a body with financial assistance to enable it to perform the function more effectively.

## 8. Where should pilots be conducted?

Every community in the country should be encouraged to consider applying to be a site for a pilot, and if interested in being one should prepare plans to be submitted to the DWP and Treasury. An executive decision must be made by the government on how many sites should be chosen and on the total budget to be allocated to the pilots. Several pilots should be conducted. It is recommended that the government should invite applications from local authorities within six months of taking office, and then an *independent selection* of localities be chosen from candidates, so as to avoid charges of political intrusion. In principle, unless no proposals were forthcoming from them, it is also recommended that at least one pilot should take place in each of the component countries of the UK.<sup>104</sup>

In this regard, Liverpool has already stepped forward, in passing a resolution in September 2018 requesting government to make Liverpool the site of a pilot. Other localities should be encouraged to develop plans, and some are already doing so, such as Sheffield. At least one site should be in Scotland. It is fortunate that there since 2017 cross-party plans have been under preparation in four areas – Fife, North Ayrshire, Edinburgh and Glasgow City. Their remit has been to design a scheme that would tackle inequality and provide economic security.

The preparatory work in Scotland has been facilitated by a decision by the Scottish First Minister and Scottish government to make £250,000 available for that work in 2018-20. A steering group involving representatives from all four councils, the Scottish Government and NHS Scotland has been established. A cross-party group has been set up in the Scottish parliament, co-chaired by an SNP MSP and a Labour MSP, which has been meeting to discuss options since June 2018.<sup>105</sup> The four local authorities will each submit a final business case to Scottish Ministers by March 2020, and have made

good progress.<sup>106</sup> It is to be hoped that these four local initiatives remain cross-party initiatives, since there is certainly interest from across the political spectrum.<sup>107</sup>

In the UK more generally, as in most countries, special dispensation would be required if the basic income were to replace existing means-tested benefits, such as Working Tax Credits, Child Tax Credits and Universal Credit, but not Housing Benefit, or if the basic income would be paid in addition to existing benefits, leaving it to the DWP and HMRC to recalculate eligibility and amounts to be paid in existing benefits. HMRC would also need to be involved if different tax codes were to be applied in the pilot communities.

Solely for the purpose of the pilot, it is recommended that one moral condition – or request, since no loss of basic income would follow if it were not respected – should be introduced, which is that all recipients should give a commitment not to do media interviews during the course of the pilot. This would be primarily to protect recipients from unwanted pressure from people who might want to demand some of the money for themselves or interfere to alter their opinions or actions.

Respondents, including all recipients of the basic income, should be assured that any data gathered for evaluation would be used strictly for analytical purposes and would be non-identifiable at a personal level. In several of the NIT pilots in the USA, it was found that there was some under-reporting of income and employment due to fear of revelation to the tax authorities. To compensate for their time in responding to an oral questionnaire, consideration should also be given to providing a modest payment to all those participating in the pilot, whether as recipients or as part of the control group, with payment being made at the end of the pilot.

## 9. Concluding reflections and recommendations

*'A journey of a thousand miles begins with a single step.'*

*Lao Tzu, c.550 BC*

In this report, it has been implicit that whatever is paid as a basic income or common dividend should be paid *equally* to all who are deemed eligible. There are arguments for paying different groups different amounts. But in the proposed pilots it seems sensible or pragmatic to preserve the strict equality rule, so that all adults who are eligible should receive the same amount, with additional separate benefits for those with disabilities, bearing in mind their special needs and reduced opportunity income.

One view is that the basic income should vary according to the cost of living and income per capita of the region, so that a lower amount would be paid in lower-income regions. This is unlikely to be relevant in the design of pilots. But at national level, the main drawback of such an approach is that it would entrench or worsen inter-regional income inequalities. If the basic income were paid equally, it would represent a higher amount in lower-income regions, and thus be a mechanism for reducing inter-area and inter-personal income inequality, which is a longstanding Labour Party objective. It might even be a factor in leading to shifts of investment and population to lower-income areas, thus boosting their local economies further.

Serious advocates of moving in the direction of a basic income do not see it as a panacea.<sup>108</sup> It will not 'abolish poverty' or 'abolish unemployment'. It will not provide perfect freedom or perfect basic security. But it will enhance freedom and strengthen security. It must be seen as part of a new income distribution system suited to a globalising open economy, and as part of a transformative policy package, along with

new forms of collective representation and ownership. The socially and economically vulnerable will always remain that way in the absence of collective Voice. A basic income should help in strengthening such Voice, or what sociologists call *agency*. But nobody should think it could do that optimally without measures to build and strengthen modern forms of unionism. We should reject the libertarian or neo-liberal paradigm, and do so with confidence that enough people will understand the need for a strong social state.

It is also vital to emphasise that a basic income system would enhance the prospects of a more ecologically and socially sustainable form of 'growth', via elevation of the value of care work, community work and participation in the life of the commons, and by allowing government to pursue more effective fiscal policies to curb greenhouse gas emissions. It would also do better than any alternative in enhancing basic economic security, personal and 'republican' freedom and social justice.

In all these respects, moving in the direction of a basic income or commons dividends would be *transformative*. Not only would it give an anchor to that new distribution system, in a context of stagnant, increasingly volatile and uncertain real wages, it would also foster work that is not labour and social solidarity instead of utilitarian individualism, which a regime of means-testing, behaviour-testing and workfare inevitably fosters.

One way of situating the British dilemma in 2019 is that, in seeking to build a more progressive income distribution system, there are two starkly different directions in which social policy could go. One is to continue in the direction taken by Universal Credit, which will mean more means-testing, more behaviour-testing, more sanctions, more intrusive directions that inevitably and deliberately limit the freedom of lower-income citizens. This is the utilitarian direction. It will inevitably strengthen the giants of inequality, insecurity, debt, stress and precarity.

The alternative direction is one that would give *equal* freedom to all, with more trust and less direction and coercion directed to the vulnerable. That way will lead to a steady weakening of those giants. The system that will take shape would have an anchor or base with common dividends, with second tiers of other forms of income transfer, through social insurance, private insurance and needs-based supplements. We need to rebuild the welfare state on new universalistic principles.

The road to the latter will start modestly, but it is the direction that matters above all. Consider the following reality. A survey conducted by Nationwide in 2018 revealed that a third of people privately renting in the United Kingdom – millions of people – after paying their rent, their gas and electricity and food, had only £23 to spend on everything else each week.<sup>109</sup> For such of our fellow citizens, even a low basic income would be enormously welcome.

Moving towards a system in which basic income or commons dividends is an integral part would be a radical return to the great progressive traditions of the United Kingdom. Our progressive journey has been marked by successive waves of emancipation and democratisation, triumphing despite eras of retreat and defeat. Giving ordinary people greater control over their own lives and the lives of their families and communities is central to the progressive journey. Moving towards a basic income as a right to subsistence, a right to a home and a right to work will be part of the renewal of the Enlightenment values of equality, liberty and solidarity. It is vital for all those on the 'left' to couch social policy in those terms.

There is a final thought for collective reflection, reiterating a point made earlier. Conservative governments, and some previous Labour governments, have used the power of the state to control people's lives – treating lower-income individuals and families as *supplicants* to be reformed or 'sanctioned'. A progressive government should use the power of the state to empower people, to have agency and greater security and control over their own lives and an ability to forge communities of their own volition. A basic income would help in doing just that.

## Appendix A: Experience with pilots so far

Contrary to extravagant claims by some critics that there is no evidence on the impact of basic income, there have been a series of experiments that have yielded relevant findings. Those are covered in more detail elsewhere.<sup>110</sup> We will just highlight their distinctive designs and key findings. Most have not been complete basic income pilots, but most have been flagged as testing basic income and have important features of a proper basic income, such as non-conditionality.

### 1. Manitoba-Winnipeg

Although there were negative income tax experiments in the USA in the 1970s, the first pilot in the spirit of basic income was launched in 1975 in Manitoba, including a saturation variant in a town called Dauphin, and in Winnipeg. Dubbed the Manitoba Basic Annual Income Experiment, the pilot is famous for the fact that, after it was ended prematurely due to a change of government, all the evaluation data were lost. Years later, they were unearthed in a vast number of boxes. Although the samples were targeted at recipients having an income below a pre-specified threshold, among the findings the data yielded were that the payment of the guaranteed income had led to improved health and fewer hospital visits and a considerable ‘reduction in physician claims for mental health disorders’ that suggested the policy would ‘improve health and social outcomes at the community level.’<sup>111</sup> There was also evidence that recipients felt a greater sense of economic security, and that it de-stigmatised income assistance, because it was seen as for everybody.<sup>112</sup> This has relevance for the persistence of means-testing as the existing core of the British welfare system.

**Key lesson for British pilots:** The community-level medical finding is one of the reasons for recommending that the main British pilots should be community-wide

rather than cover just a sample of individuals across various communities. Spillover and communal effects matter.

## 2. North Carolina

An important ‘accidental pilot’ occurred in North Carolina, although it is non-replicable, since there was a coincidence in that the Native American community decided to convert the profits of the local casino into basic income payments for community members shortly after a long-term longitudinal study of child development in the area was launched. Researchers were able to use the data to study the impact. A key finding was that children in families receiving the basic income did much better in school than control group, due primarily to better family relations that was attributable to less stress from economic insecurity. This was one of several examples of what have been dubbed ‘casino dividend’ schemes, most of which have been subject to considerable statistical research, with some striking findings and some puzzling outcomes.

**Key lesson for British pilots:** A conclusion is that, although the casino pilots are scarcely replicable for our purposes, long-term feedback effects should be taken into account in any sensible modelling of the effects of a basic income. Critics have singularly failed to take those into account.

## 3. Alaska Permanent Fund

This is a Commons Dividend type scheme, which is discussed more than any other, and is often lauded as ‘the most popular program in the history of the US’.<sup>113</sup> It started in 1976, when the maverick Republican governor of the US State of Alaska set up the Fund, with royalties from the oil industry. It began issuing dividends to all State residents in 1982, on an individual basis. It is still going today, and has been intensively studied and been found to have been very successful. By 2018, the Fund was worth 113% of Alaska’s GDP, and over the years its diversified portfolio had yielded annual returns of nearly 10%.<sup>114</sup> Anything like that from a Commons Permanent Fund in the UK would make a decent basic income eminently affordable within the lifetime of a single Parliament. As studies have found, the Alaska Fund and its dividends have reduced poverty and economic insecurity, and have been associated with increased employment.

Sadly, the latest Republican governor started to raid it to make up for the fact that all income tax has been abolished. He paid a price, since the cut in dividends was

correctly seen as a tax on low-income Alaskans, and he was forced to withdraw from his re-election campaign amidst a wave of unpopularity.

The annual dividends rose from year to year as the Fund expanded, and over the years have been shown to result in, among other outcomes, lower poverty and increased schooling attainment by disadvantaged youth. Less noticed, the basic dividends have also been shown to raise employment, by as much as 17% according to recent estimates. The Fund and the Dividends have been very popular with State residents.

The Fund and Dividend model is *replicable* and *upscalable*. It is also *affordable* and *politically feasible*. And it has one feature that, in principle, only one other quasi-basic income scheme has (namely, Iran), in that it is *permanent*. Its limitations as a basic income scheme are that the amount is paid only once a year as a lump sum and it is variable rather a predictable amount, depending on the annual returns to the Fund.

**First key lesson:** Whereas the Fund itself was protected by a constitutional amendment, the payment of Dividends was not, allowing for some unprincipled political meddling by later politicians. This failing should be avoided in any British move.

**Second key lesson:** Norway built up its permanent capital fund by retaining ownership of its share of North Sea oil. Today it is the world's biggest capital fund. Had the UK been sensible, its equivalent would have been even bigger by now and could have easily funded a generous basic income. That was one of the several missed chances to do so, another being the huge windfall gains in the form of revenue from the sales obtained by the Thatcher government in selling off the public resource of council houses. But what could be done now is build up such a national capital fund from levies on all uses of commons, as proposed elsewhere. The ethical, moral and economic case for doing so is strong.

#### 4. Namibia, India and Kenya

A few years ago, it was largely presumed that a basic income system could not be introduced in any low-income developing country. In the past decade, this view has been disproven. There have been many 'conditional cash transfer' schemes, particularly in Latin America, and increasingly 'unconditional cash transfer schemes'. Many, although far from all, have been 'targeted' via means-tests or proxy means tests, but increasingly the evidence has accumulated that quasi-universal schemes function more efficiently and equitably.<sup>115</sup>

There have been several pilots of basic income, the first being in Namibia, where a modest basic income was given to all residents, but where no control group was used.

The results were regarded as very encouraging, and in most respects mirrored those emanating from the much bigger pilots launched in Madhya Pradesh, India, which covered about 6,000 men, women and children. This was universal, in the sense that every usual resident of 8 villages were entitled to the basic income, for 18 months. A control group of every resident in 12 otherwise similar villages was covered.

The most relevant points for this report are that the methodology used in the Indian pilot is replicable and could be a model for any British pilot. A Baseline Survey was undertaken before the pilot was announced and the recipient villages identified; this was effectively a census, covering all households. Then there was an Interim Evaluation Survey conducted about six months after the start of the pilot and a Final Evaluation Survey conducted at the end of the period. A novel feature was that, three years after the pilot was concluded, what was called a Legacy Survey was carried out, designed to identify changes that had taken place during the pilot that had continued after it had been ended, and what changes that had not lasted once the pilot ended.

It may be of interest that the analysis of the evaluation data, and the analysis of data from 'key informants' and detailed case studies indicated that the basic incomes resulted in improved health, nutrition, sanitation, schooling and economic activity, with several indicators of a strong emancipatory effect for women, the disabled and minorities.<sup>116</sup> There was also evidence that the universality of the basic income system induced feelings of social solidarity and the emergence of stronger local governance and local cooperatives.

The biggest pilot launched so far is in Kenya, funded and implemented by GiveDirectly. Among other variants, it is providing a modest basic income to 21,000 villagers and is set to last for 12 years. So far it has generated a lot of international publicity. But it will take a long time before evaluations begin to emerge. One can predict there will be considerable research fatigue and staff turnover. One would hope for policy implementation long before it ends.

**Key lessons for British pilots:** The survey instruments developed during the Indian pilots, in particular, are easily adaptable to British conditions. Their availability would reduce time and costs. In demanding 'evidence-based policy-making', it is often insufficiently appreciated that specifying hypotheses of success and failure is complex, requiring appropriate data collection.

In January 2019, the ideal lesson emerged. Citing the results of the pilots, the Congress Party, one of the largest political movements in the world, announced that if elected in the forthcoming General Election it would introduce a basic income 'for the bottom half of the income distribution'.

It may turn out to be a false dawn, but it dramatically helped to legitimise basic income in the mainstream political discourse, especially as for decades Congress had been the party of state paternalism. Almost immediately, the BJP governing party included a scheme of its own in the manifesto for the April-May General Election, and several State governments announced they would introduce schemes that would be even closer to a basic income.

## 5. The Great British Benefits Handout

In early 2017, a company making TV documentaries, by the name of Dragonfly, decided to launch what it depicted as a basic income, the idea being to give a few families the equivalent of one year's benefits in a lump sum, of £23,000 per family, without conditions. Dragonfly proceeded to visit the families from time to time over the next few months, and made a six-part TV series, called *The Great British Benefits Handout*.

Although it was a capital grant scheme rather than a proper basic income or social dividend scheme, and therefore risked 'weakness of will' effects whereby financially uneducated people would squander or misuse the money, the scheme proved remarkably successful. The key finding (and remarkably): All families used the money to improve living standards and do more work.

**Key lessons:** This experiment was allowed to take place by the DWP, indicating that such experiments are administratively feasible. *The Times*, on reviewing the series, asserted that the DWP Secretary of State should be required to watch it and learn from it. There is no evidence that he or his successors did so.

## 6. The City of London Homelessness Project

An intriguing experiment took place in central London when a group of individuals who had been sleeping rough for between four months and 45 years were given £3,000 each, with varying levels of voluntary engagement with support workers. By the end of the experiment, most were in accommodation or were moving into somewhere soon.<sup>117</sup> The authorities realised that the experiment cost them much less than it would have done to give them continued help in their old condition.

**Key lessons:** This experiment is clearly *replicable* but it is moot whether it is *upscaleable* to regional or national level. The immoral hazard would be that some people would become homeless in order to obtain the grant and extra help. However, as stated in the text of this report, such was the success of the first experiment of this type, undertaken before the recent upsurge in homelessness across the land, that it is

recommended that similar experiments be undertaken in another high-homelessness part of the county, to determine whether or not such a policy should figure in the political response to what is one of the worst outcomes of austerity and the financial crash.

## 7. Finland

Undoubtedly, this pilot has attracted more attention than any other in recent times.<sup>118</sup> It has been called a basic income pilot, but those familiar with the subject know that it is not really one, even though it may be very useful in furthering policy development in that direction. The originators did wish to test a basic income, applied to whole communities and to every resident, regardless of work status. However, this was whittled down by political and budgetary pressures. The outcome was that a basic income of 560 euros a month has been provided to 2,000 unemployed people from January 2017 to December 2018, the sample being selected from across the country.<sup>119</sup> To induce support from within the coalition government, the stated goal was ‘to obtain information on the effects of a basic income on employment’.

At the time of writing, it is not possible to say definitively what the outcomes have been, although evaluation of data began in late 2018. Tentatively, it at least seems to have resulted in reduced stress, and improved attitudes to work and job-seeking. A danger is that the criterion that was taken as the desired indicator of ‘success’ is not what most advocates of basic income would choose. To help obtain political acquiescence to the pilot, it was stated before it began that ‘the primary goal’ was ‘promoting employment’.<sup>120</sup> Therefore, the pilot could be judged a ‘failure’ if employment was unchanged, even if recipients had better health and less stress. This would not be sensible.

A preliminary official analysis issued in February 2019 concluded that while it had not resulted in any decline in employment – indeed, there was tentative evidence that recipient had half a day more in employment – it had resulted in significant improvements in wellbeing, with a 17% incidence of improved physical and mental health, and a 37% decrease in the incidence of depression.<sup>121</sup> These findings did not stop cynical journalists from dismissing it. *The Economist* (February 16, 2019, p.59) wrote a dismissive article entitled ‘A Finnish trail is as clear as mud’. What was unclear?

Aditya Chakraborty visited Finland and found and interviewed one of the previously unemployed recipients of the basic income, and reported that he had used the time and money to build up a workshop for making and selling shaman drums.<sup>122</sup> As reported, it was not the money that had made that possible but the lack of behavioural conditions that had previously forced him to look for jobs and use up time to satisfy the employment bureau’s demands.

By chance, one of the unemployed in the sample came to the BIEN Conference held in Tampere, Finland in August 2018. He was an artist, and in a statement said, 'We are all emotional beings as well as rational ones. My basic income payment was the day I became free – a signal I could dream of something better.'

In November 2018, the opposition party, Left Alliance, announced that its manifesto for the General Election scheduled for 2019 would include a commitment to a basic income of 800 euros a month, phasing out means-tested social assistance, while leaving housing allowance unchanged. The basic income would be 'taxed away' from high-income earners, and it would be phased in by consolidating various social security benefits.

**Key lessons:** The pilot in Finland should not be taken as an exemplary test of a basic income, but merely of one aspect of moving in the direction of basic income. It has been a *trust experiment*. Advocates and critics alike should be cautious about interpreting the outcomes. Suppose, for example, that it were shown that labour supply changed a little. If a measure of mental health improved, what would be the judgment of 'success' of the pilot? In other words, it is necessary to be wary of simplistic interpretations.

## 8. Ontario

In April 2017, the government of Ontario launched a pilot designed to cover four areas – Hamilton, Lindsay and Thunder Bay, in which samples were selected, and one 'saturation site', where it was planned that all the community would be covered. The scheme enrolled 4,000 low-income individuals in the first three areas, paying single people about C\$17,000 a year and couples C\$24,000, with people with disabilities paid a supplement. The scheme was actually closer to being a negative income tax experiment, since the basic income amounts were reduced by 50 cents for every extra dollar earned, and it was household-based rather than paid individually. But given those limitations the experiment began well.

However, unfortunately, the pilots were cancelled by the new right-wing government on taking office in August 2018, even though during the election campaign they had openly pledged to let it continue to completion.<sup>123</sup> The suspension led to widespread public protest.

In the few months the Ontario pilots were allowed to operate, initial reports were encouraging.<sup>124</sup> It is hoped that a similar pilot planned in British Columbia will not have a similar fate. In the Ontario pilot, a baseline survey was conducted and a baseline report on that was prepared. But the pilot was cancelled before a first follow-up survey

could be conducted. It may be revealing of government concerns that it instructed the evaluation team to return all documentation, thereby preventing the public from finding out how the pilots were working. Given that participants had made financial and other commitments in the knowledge that they were due to receive the basic income payments for 18 months more, the government was obliged to continue paying the stipends until March 2019.

Although the new government did all it could to prevent any analysis of the experiment, an unofficial survey of participants found that there had been a substantial increase in voluntary work. The results also reported that 88% of recipients felt less stressed.

**Key lesson for British pilots:** In any future pilot, legal guarantees must be given to recipients that the payments would continue for the entire period stated at the outset.

## 9. The Netherlands

Following legislation in 2015 allowing local authorities to experiment with social policies, several Dutch cities have launched variations of basic income (although not called that), led by Utrecht and starting in 2017, expected to last two years. By 2018, partial basic income pilots were underway in Groningen, Tilburg, Utrecht and Wageningen. My initial scepticism reflected the workfare elements being introduced, following visits to sites. This concern has been reduced since local authorities have tried to circumvent central government dictates.<sup>125</sup> The payments are limited to welfare claimants, with people randomly selected and assigned to be a recipient or to be in the control group.

Interest in these pilots lies primarily in the fact that they are testing for the effects of relaxation of conditionalities in connection with so-called 'active labour market policies' and will allow recipients to keep some of the benefit as they earn. Results will not emerge until later in 2019. What is happening might also be described as a 'trust experiment'.

**Key lesson:** Scope for local variants of pilots should be allowed and incorporated into the proposed British pilot programme. Those with experience in conducting the Dutch experiments should be consulted in developing British pilots.

## 10. 'Oakland', California

One much-reported pilot has been hatched in California. It began life as being in the city of Oakland, funded by Y-Combinator Research, run by tech entrepreneurs, with

the intention of giving a sample of people \$1,000 a month. But after three years of preparatory work, its project director announced that it would not be conducted in Oakland after all but in two regions in two other states. It is probably fair to say that the planning of the pilot has taken excessively long and has involved too many social scientists, pulling in different directions, seemingly hoping to test out numerous hypotheses. There are important practical lessons to be learned for British pilots.

The current plan is to give unconditional cash transfers of \$1,000 per month to 1,000 people and \$50 to a control group of 2,000, the latter being to compensate them for their cooperation in filling in questionnaires. Some participants will receive their basic income for three years, some for five. The study is now called 'Making Ends Meet'.

One problem the designers have had to overcome is the need to obtain official permission in order to replace existing social policy arrangements. The lesson is that any pilot has to have the backing of all the relevant local authorities from an early stage. A principal positive outcome so far is that its very existence has helped legitimise basic income in the public policy debate in California, and indeed beyond it to other parts of the United States. Another useful outcome of the protracted negotiations has been a technical guide to the conduct of basic income pilots in American cities.<sup>126</sup>

**Key lesson for British pilots:** It is essential to establish a clear management structure and sensible timetable for activities at the outset of any pilot. This may seem obvious, but is easily overlooked in practice.

## 11. Stockton, California, and Elsewhere in the USA

The second California pilot is really a demonstration project, rather than a scientific pilot. A new young Mayor, Michael Tubbs, launched a basic income trial in February 2019, in which 130 residents will receive \$500 each month for 18 months, with no restrictions on how the money can be spent or on what the recipients do with their time. The programme, named the Stockton Economic Empowerment Demonstration, is being funded largely by a \$1 million grant from Chris Hughes, one of the co-founders of Facebook, and a further \$2 million from foundations and individuals.

The 130 people provided with the basic income had to be at least 18 years old and live in a neighbourhood in the run-down city with an average income below the median for the city. The sample was chosen from applicants from a sample of 1,000 residences, all of whom were asked to indicate their interest in being included. The sample of 130 was then selected randomly. And a control group of similar socio-economic background was selected.

Among the hypotheses mentioned by the Mayor is that receipt of basic income would result in less street crime. A good feature is that the Mayor will have no role in the selection of recipients. Another is that the financing from outside the city is seen as boosting what is a low-income area. Mayor Tubbs seems to have his objectives quite clear, in saying, *'What's important is that people are suffering right now, today. The most important thing the pilot can do is spark a conversation that might translate down the road into state or nationwide change. The Stockton pilot is important because it shows that a local elected [person] can talk about this and not die for it. The public is actually ready for this conversation.'*

In another newspaper interview, Tubbs responded to being asked about the risk of the pilot failing with exemplary compassion and empathy:

*'If we are saying that we trust people, then we actually have to trust them. The folks who are receiving the benefits are no different from you and I. I know sometimes I spend money in ways I shouldn't on things that are not necessities, but for the most part I make sure my basic needs are met first. I extend the same level of grace to those who are selected. I may not agree with every single way they spend their money, but if I can't trust my folks to make good decisions, why would I put my name on the ballot and ask them to trust me to be the mayor?'*<sup>127</sup>

Another quasi-basic income pilot is being launched in four American cities, in which 1,000 low-income mothers will be provided with an unconditional \$333 per month, with a control group being provided with \$20 per month, the money to be put on a pre-paid debit card on the date of the child's birthday for 40 consecutive months. The study is called 'Baby's First Years', because the focus is on the expected link between basic income security in early life and brain development, the primary hypothesis being that the steady stream of income will make a difference to the cognitive and emotional development of the children whose mothers receive it.<sup>128</sup> Again, a lesson is that the project has taken a long time to be developed, largely because the project team had to raise the funds and obtain approval for it through new legislation in the two states where it is being conducted.

Towards the end of 2018, a group of Chicago aldermen announced a plan to pilot basic income in the city, and this is awaiting a decision by Chicago's Mayor. If it takes off, it will be the largest pilot in the United States so far. The plan is to provide 1,000 low-income individuals with \$1,000 per month for 18 months. The chair of the Task Force set up to design the pilot, Alderman Ameya Pawar, put his hope tersely 'to help the poor from becoming the hopeless'. Shortly afterwards, the Mayor of Newark, New Jersey, in his State of the City Address, announced that his city too would be piloting a basic income.

**Key lesson:** Local demonstration projects of these types, including some financed by private donors, should be encouraged and facilitated in areas of Britain where more systemic pilots are not being implemented.

## 12. Barcelona: B-Mincome

One of the more interesting pilots underway is in Barcelona, by the name of B-Mincome, which has been running since October 2017, and is scheduled to continue for two years. This has 1,000 participant families, plus 500 as a control group. This is probably too small a sample, given the multiple variants being tested, eleven in total.

It also has a limitation, in that it is family-based, not individual. But although it is not really a test of basic income (being mainly close to a negative income tax), the experiment has been legitimising the idea of basic income across the region. When launched, it was stated that the main intention was ‘to analyse the most effective way of reducing inequality and breaking the poverty cycle’.

**Key lessons:** Basic income should be paid to individuals, and pilots should not compress too many variations into one experiment.

## 13. Germany: HartzPlus

Finally, in Germany, a privately-funded basic income pilot – named provocatively *HartzPlus* – is set to start in May 2019 in Berlin, with a random sample of 250 recipients of state benefits each paid 416 euros a month, and with another 250 as a control group, with a focus on evaluating the impact on labour market behaviour, health and social relations. It is set to last for three years, and follows crowd-funded schemes that have proven popular in Germany, notably *Mein Grundeinkommen* (‘My Basic Income’) that has been running a lottery with winners obtaining a monthly basic income of 1,000 Euros for one year. Meanwhile, the chief executive of Germany’s Association of Towns and Municipalities (BStGB), lamenting the over-burdened bureaucratic welfare state and rising poverty, came out in favour of basic income.

## **Appendix B: Why a Job Guarantee would be no alternative<sup>129</sup>**

The claim made in this report is that a basic income would promote social justice, freedom and basic security while combating the eight giants, in ways that other possible policies would not. But some other proposals have been made as alternatives. One deserves scrutiny, given the widespread advocacy of it.

From time to time, there is a surge in advocacy of a job guarantee for everyone, or for everyone 'able to work'. It is happening again, from a slew of politicians and social scientists positioning themselves on the centre left, as social democrats. In the USA, several prominent Democrat senators and possible candidates for the next presidential election have said they support the idea, including Bernie Sanders, Cory Booker, Elizabeth Warren, Kamala Harris and Kirsten Gillibrand. In Britain *The Guardian* has endorsed it unequivocally as 'a welcome return to a politics of work'.<sup>130</sup>

*The Guardian* claimed a job guarantee policy 'would secure a basic human right to engage in productive employment'. Throughout history, the vast majority of people would have found that a very strange 'human right'.<sup>131</sup> Having a job is to be in a position of subordination, reporting to and obeying a boss in return for payment. Indeed, historically the words 'job', 'jobbing' and 'jobholder' were terms of regret and even pity, referring to someone with a bits-and-pieces existence. Subordination and alienation have also been at the heart of labour law, which is based on the master-servant model.

The newspaper added that the job guarantee 'would only offer employment under-supplied by the private sector', singling out 'environmental clean-up' and 'social care'. These may sound appealing on paper but represent a narrow and unattractive range

of jobs to be offered. They also bear more than a passing resemblance to the menial jobs convicted offenders are obliged to undertake under 'community payback' schemes.

The practical objections become evident as soon as the details are considered: what jobs, who would be responsible for providing them, who would qualify to be offered them, what would the jobs pay and for how many hours, who would pay, how much would it cost to supervise participants and to police compliance with the job's requirements, and what would be the effects on other workers and on the wider economy?

To start with, identifying jobs to be provided and administering the process would be a bureaucratic nightmare (witness the shambles of many 'community payback' schemes, even though they are on a small scale and the labour they offer is 'free'). And, when asked what type of job would be guaranteed, proponents never suggest the guaranteed jobs would match people's skills and qualifications, instead falling back on low-skill, low-wage jobs they would not dream of for themselves or their children.

Then other questions arise. If guaranteed jobs are providing desired services or goods, and are subsidised, there must be substitution effects – guaranteeing jobs now taken by others – and deadweight effects – putting people in jobs that would have been created anyhow. If somebody is given a guaranteed job at the minimum wage, what happens to others already doing such jobs? Would the job guarantee agency guarantee their jobs as well, with no decline in wages if they happened to be higher? If the unemployed were offered a job at a minimum wage subsidised by the state, this would increase the vulnerability of others, either displacing them or lowering their income.

Ro Khanna, a California Democrat congressman, has said firms would not be allowed to hire subsidised workers if they were substitutes for previous employees.<sup>132</sup> Clever employers could find ways round that. However, it would also be unfair. Why should a firm coming into a market be subsidised relative to one that has been in it for a while, giving the newcomer an unfair advantage?

*The Guardian* further claimed, without citing evidence, that a job guarantee scheme would not be inflationary because 'any restructuring of relative wages would be a one-off event'. This contradicts generations of research. If all were guaranteed a job, what would stop wage-push inflation? The only restraining factors would be fear of automation and more offshoring. But it would hardly be fear, as a job would be guaranteed anyhow!

The gross cost of a job guarantee might outweigh the net gain. If the government guaranteed the minimum wage in guaranteed jobs, those in jobs paying less (or working fewer than the guaranteed hours) might quit or find ways to be made

redundant, so they could have a guaranteed job instead. Social democrats might like that, as it would mean better-paying jobs for more of the underemployed and precariat. But the fiscal cost would be daunting. For example, in the UK, over 60% of those regarded as poor are in jobs or have someone in their household who is.<sup>133</sup> Would they all become eligible for a guaranteed good job?

At its unlikely best, a job guarantee would be paternalistic. It presumes the government knows what is best for individuals, who would be offered a necessarily limited range of jobs at its disposal. Suppose someone was pressed to take a guaranteed job on a construction site ('infrastructure', a favoured area for guaranteed jobs) and that person proved incompetent and was injured. Would the job guarantee agency be held responsible and pay compensation? It should, since it put the person in that position. How would that be factored into the costing of a job guarantee scheme? Similarly, if a person put into a 'social care' job was negligent and caused harm or distress to the care recipient, would the latter be able to sue the job guarantee agency for compensation?

In addition, a job-guarantee scheme would spring a familiar trap – the phoney distinction between those who 'can work' and would thus be eligible for a guaranteed job and those 'who cannot work'.<sup>134</sup> In Britain, this has led to demeaning and stigmatising 'capacity-to-work' and 'availability-for-work' tests, resulting in discriminatory action against disabled and vulnerable people, and those with care responsibilities.

Another failing of the job guarantee route is the mapping of a path to 'workfare'. What would happen to somebody who declined to accept the guaranteed job? They would be labelled 'lazy' or 'choosy' and thus 'ungrateful' and 'socially irresponsible'. Yet there are many reasons for refusing a job. Studies show that accepting a job below a person's qualifications can lower their income and social status for the long term. As what is happening in the current UK benefit system attests, those not taking jobs allocated to them would face benefit sanctions, and be directed into jobs, whether they liked them or not. Jobs done in resentment or under duress are unlikely to be done well.

A job guarantee would be a recipe for perpetuating low productivity. What would happen if a person in a guaranteed job performed poorly, perhaps because of limited ability or simply because they knew it was 'guaranteed'? If you are guaranteed a job, why bother to work hard? If you are an employer and are given a subsidy to pay employees guaranteed a job, why bother to try to use labour efficiently?

If subsidised through tax credits or a wage subsidy, a worker would need to produce only a little more value than the cost to the employer to make it profitable to retain him or her. This would cheapen low-productivity jobs relative to others and inhibit the higher productivity arising from labour-displacing technological change. If a job of a

certain type is guaranteed, what happens if an employer wishes to invest in technology that would remove the need for such jobs?

Those calling for a job guarantee also ignore the fact that any market economy requires some unemployment, as people need time to search for jobs they are prepared to accept, and firms must sift applicants for jobs they want to have done. To adopt a job guarantee policy would risk putting the economy in gridlock.

Job guarantee advocates, such as Larry Summers, President Clinton's former Treasury Secretary, argue that people without jobs 'are much more likely to be dissatisfied with their lives' and are more likely to be drug addicts and abusive than those with even low-wage jobs.<sup>135</sup> This is bogus. I suggest there would be no correlation between life satisfaction and having a job if the comparison was made between those in lousy jobs and those with no job but an adequate income on which to live. Somebody facing a choice between penury and a lousy job will prefer the job. But that does not mean they like or want it for itself.

The polling company Gallup conducts regular *State of the Global Workplace* surveys in over 150 countries. In 2017, it found that globally only 15% of workers were engaged by their job, and in no country did the figure exceed 40%. One recent UK survey found that 37% of jobholders did not think their job made any significant contribution.

Summers ends his article by equivocating – 'the idea of a jobs guarantee should be taken seriously but not literally'. He seems to mean government should try to promote more employment, through 'wage subsidies, targeted government spending, support for workers with dependants, and more training and job-matching programmes'. In other words, he reverts to the standard social democratic package that has not done very well in the past three decades.

Besides being a recipe for labour inefficiency and labour market distortions, tending to displace workers employed in the 'free' labour market and to depress their wages, the job guarantee proposal fails to recognise that today's crisis is structural and requires *transformative* policies. Tax credits, job guarantees and statutory minimum wages would barely touch the precariat's existential insecurity that is at the heart of the social and economic crisis, let alone address the aspirations of the progressive and growing part of the precariat for an ecologically grounded Good Society.<sup>136</sup>

The emphasis on jobs is non-ecological, since it is tied to the constant pursuit of economic growth. There are many instances, support for fracking and for the third runway at Heathrow airport being recent examples, where the promise of more jobs has trumped costs to health and the environment. And a job guarantee policy could have a strong appeal to the political right as a way to dismantle the welfare state. Why pay unemployment benefits if everybody has a guaranteed job? In the USA, one

conservative commentator chortled that ‘over 100 federal welfare programs would be replaced with a single job guarantee program.’<sup>137</sup>

Finally, there is what this writer regards as the policy’s worst feature. It would reinforce twentieth-century labourism, by failing to make the distinction between work and labour. Those who back guaranteed jobs typically ignore all forms of work that are not paid labour. A really progressive agenda would strengthen the values of work over the dictates of labour. It would seek to enable more people to develop their own sense of occupation.<sup>138</sup>

A job is a means to an end, not an end in itself. Economists tend to be inconsistent in this respect. In the textbooks, labour has ‘disutility’; it is negative for the worker. Yet many economists who use or write these textbooks then advocate putting everybody in jobs. Why make a fetish of ‘jobs’? A job is doing ‘labour’ for others. What about all the forms of work that we do for those we love or for our community or for ourselves?

Many forms of work that are not labour are more rewarding psychologically and socially. A regime of putting everybody into jobs, in unchosen activities, would be orchestrated alienation. Surely a progressive should want to minimise the time we spend in stultifying and subordinated jobs, so that we can increase the time and energy for forms of work and leisure that are self-chosen and oriented to personal and community development.

There is one last point, to do with the claim that a job guarantee would be politically popular. Much is made of a US poll which asked people whether they would support a scheme to guarantee a job for anybody ‘who can’t find employment in the private sector’, if paid from a 5% tax on those earning over \$200,000. The result was 52% in favour. Supporters thought this was ‘stunning’.<sup>139</sup> With such a loaded question, one should be stunned by the bare-majority support. After all, most respondents were being told they would not have to pay, and that there were no alternative jobs available, an unlikely scenario.

Rather than jobs *per se*, the primary challenge is to build a new income distribution system, recognising that the old one has broken down irretrievably. The rentiers are running away with all the revenue thrown up by rentier capitalism, and real wages will continue to lag. Putting people into static low-wage jobs is no response.

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- 52 In the light of a flow of statistics and numerous reports of individuals in distress, it was remarkable that a DWP spokesman said on March 18, 2019, 'On universal credit, no one has to wait five weeks to be paid.' The statement was made in response to widely reported stories of women resorting to prostitution because they were not receiving their universal credit payments. P.Butler, 'MPs to launch inquiry into 'survival sex' by benefit claimants', *The Guardian*, March 19, 2019.
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- 72 Standing, 2017, op.cit., chapter 6.
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- 74 The most promising costing of a basic income system in the way of replacing most existing means-tested social assistance schemes has been done by the Citizen's Basic Income Trust, and mainly by its director, Malcolm Torry, drawing on a well-established simulation model, Euromod. M.Torry, The Feasibility of Citizen's Income (London: Palgrave Macmillan, 2016). The most recent microsimulation research is at M.Torry, Euromod working paper EM12/17a: <https://www.euromod.ac.uk/publications/update-correction-and-extension-evaluation-illustrative-citizen-s-basic-income-scheme>
- 75 Geoff Crocker has presented a series of papers elaborating on this argument. Other commentators have embraced something similar, including a group at the New Economics Foundation, Larry Elliott of The Guardian, Martin Wolf of The Financial Times, Adair Turner, former chair of the Financial Services Authority and current chair of the Institute of New Economic Thinking, and journalist Anatole Kaletsky.
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- 80 S.Lansley and H.Reed, A Basic Income for All: From Desirability to Feasibility (London, January 2019).
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- 84 The World Bank, The Future of Work, World Development Report (Washington, DC, The World Bank, October 2018), p.111.
- 85 I.Marinescu, 'No Strings Attached: The Behavioral Effects of U.S. Unconditional Cash Transfer Programs', Roosevelt Institute, New York, May 2018.
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- 87 A.Leigh, 'Who Benefits from the Earned Income Tax Credit? Incidence among Recipients, Co-workers and Firms', The B.E. Journal of Economic Analysis and Policy 10, No. 1, May 2010; A.Nichols and J.Rothstein, The Earned Income Tax Credit (Washington, DC, NBER Working Paper, May 2015). <https://doi.org/10.3386/w21211>. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1631095](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1631095).
- 88 It is shocking that in the two decades in which they have been operating, costing as much as £32 billion a year at the maximum, taxes credits have never been subject to a formal evaluation.
- 89 A related tax-credit based proposal made by the director of the Fabian Society, is a system of 'Universal Individual Credits'. This has two features of a basic income – it would be paid in cash and paid to individuals, not families or households. But it envisages continuation of Universal Credit, which is unacceptable, and is also conditional: 'Eligibility for the adult credits should depend on paying direct taxes or on productive participation in society.' It would thus be a back-route into workfare, which no progressive government should promote.
- 90 The idea of 'demonstration projects' is gaining popularity in the United States among Democrats.
- 91 S.Davala, R.Jhabvala, S.Mehta and G.Standing, Basic Income: A Transformative Policy for India (London: Bloomsbury, 2015).
- 92 Note that without changes to taxes, this design would be slightly regressive if applied nationally.
- 93 Potential critics of the likely cost if such a model were made national should reflect on the fact that a scrupulous estimate has been made on behalf of the Citizenship Income Trust showing that a national scheme that provided a Basic Income of £63 per week to every working age adult, added £20 to Child Benefit for each child, reduced the Income Tax Personal Allowance and the National Insurance Contribution Primary Earnings Threshold to zero, and charged National Insurance Contributions at 12% across the earnings range, would

require an increase in Income Tax rates of just 3 percentage points. But, of course, there is no need to rely on income tax to pay for that. <https://www.euromod.ac.uk/publications/update-correction-and-extension-evaluation-illustrative-citizen's-basic-income-scheme>.

94 There are two other options: 1. Different amounts paid in several areas (e.g., £50 in one area, £75 in another) to see if that affects behaviour and attitudes. In principle, this writer is opposed to this. 2. Proceed by inviting locals to participate, and then select from those 'volunteering'. This is also dubious, partly due to selectivity bias.

95 A.B. Atkinson, *Inequality: What can be done?* (London and Cambridge, Mass.: Harvard University Press, 2015), chapter 8.

96 Torry, 2016, op.cit., pp. 134-9

97 Symposium: *The Political Quarterly*, April-June 2018; Standing, 2017, op.cit., pp.175-76; Torry, 2018, op.cit., pp.187-89.

98 In Alaska, recent research has shown that there is a small spike in alcohol-related crime immediately after receipt of the annual payment, but that the dividends are associated with a reduction in property crimes.

99 A recent poll in the USA found that a majority preferred a regular guaranteed modest basic income to a much larger lump sum, and 46% said they would never switch to a lump sum. L.Barney, 'Guaranteed income preferred over lump sum'. <https://www.plansponsor.com/guaranteed-income-preferred-lump-sums/?layout=print>

100 This section draws on experience in designing and conducting pilots in other countries and on the Appendix to Standing, 2017, op.cit., pp.301-315, as well as on Charlie Young's recent dissertation and RSA work. C.Young, *Making Sense of Basic Income: Clarifying and classifying the many experimental iterations of a transformational policy*, MA Dissertation, Schumacher College, Plymouth University, 2018.

101 For instance, while Universal Credit has been held partially responsible for the alarming increase in homelessness, in a place like Hastings, the main homeless charity stated in 2018, 'We've seen a sharp increase in street homelessness and in the first three months of this year we verified 120 different individuals. On any given day we're seeing 49 people rough sleeping now. Last year it was more like 40.' J.Doward, A.Walker and M.Savage, 'Revealed: How universal credit is fuelling Britain's homelessness crisis', *The Guardian*, October 28, 2018. In a place like that, all 49 could be included in a pilot of Model E.

102 Standing, 2017, op.cit., pp.305-6.

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104 It is noteworthy too that Fianna Fail in Ireland has also come out in favour of pilots in its election manifesto.

105 The Scottish part of the Institute for Public Policy Research has attacked the proposal for a basic income in Scotland, claiming it would not reduce child poverty, to which RSA Scotland has responded robustly. A.Learmonth, 'Scots activists dismiss claims UBI would cause more child poverty', *The National*, May 31, 2018.

106 See, for example, Scottish Basic Income Steering Group, *Exploring the Practicalities of a Basic Income Pilot* (Carnegie UK Trust, Dunfermline, Fife, January 2019).

107 See, for instance, L.Riddoch, 'Scotland should ignore scaremongers and be basic income pioneers', *The National*, August 30, 2018.

108 Advocates have been spoilt by choice of recent books and articles. See, for instance, H.Reed and S.Lansley, *It's Basic Income: The Global Debate* (London: Compass, 2016); G.Standing, *Basic Income: And how we can make it happen* (London: Pelican, 2017); M.Torry, *Why we need a Citizen's Basic Income* (Bristol: Policy Press, 2018); P.van Parijs and Y.Vanderborght, *Basic Income: A Radical Proposal for a Free Society and a Sane Economy* (Cambridge, Mass., Harvard University Press, 2017).

109 P.Collinson, 'Renting? You're lucky to have £23 left after paying the bills', *The Guardian*, June 9, 2018.

110 Standing, 2017, chapter 11.

111 E.Forget, 'The Town with No Poverty: The health effects of a Canadian Guaranteed Annual Income field experiment', *Canadian Public Policy*, 37(3), 2011, pp.283-305.

112 D.Calinitysky and J.P.Latner, 'Basic income in a small town: Understanding the elusive effects on work', *Social Problems*, 64(3), 2017, pp.373-97.

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114 *The Economist*, 'Free Exchange: We the shareholders', September 22, 2018, p.62.

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117 J.Hough and B.Rice, *Providing personalised support to rough sleepers* (London: Joseph Rowntree Foundation, 2010).

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120 KELA, *From Ideas to Experiment: Report on Universal Basic Income Experiment in Finland* (Helsinki: KELA Working Paper 106, 2016).

121 O.Kangas, S.Jauhiainen, M.Simanainen, M.Ylikanno, *The basic income experiment 2017-2018 in Finland: Preliminary results* (Helsinki: Ministry of Social Affairs and Health, February 2019).

122 A.Chakraborty, 'A basic income for everyone? Yes, Finland shows it really can work', *The Guardian*, October 31, 2017.

123 The Minister responsible did not say why it was ended. She merely stated that it was 'clearly not the answer for Ontario families', without giving any reasons for that being the case.

124 See, for instance, E.Paling and D.Tencer, 'These towns are trying out a basic income scheme and it is already changing lives', *Huffington Post*, June 5, 2018.

125 R.van der Veen, 'Basic income experiment in the Netherlands', 2018, mimeo.

- 126 National League of Cities and Stanford Basic Income Lab, *Basic Income in Cities: A Guide to City Experiments and Pilot Projects* (Stanford, California, November 2018).
- 127 T.M.Shapiro and R.Loya, 'Michael Tubbs on universal basic income: 'The issue with poverty is a lack of cash'', The Guardian, March 21, 2019.
- 128 A professor of neuroscience connected to the project who has been studying the links for over 15 years wrote, 'Cash transfers, as opposed to counseling, child care and other services, have the potential to empower families to make the financial decisions they deem best for themselves and their children.' K.G.Noble, 'Brain trust', *Scientific American*, No.316, March 2017, pp.44-49.
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- 137 J. Dorfman, 'Job Guarantee: A liberal idea that conservatives may embrace', Forbes Magazine, May 1, 2018.
- 138 G. Standing, *Work after Globalization: Building Occupational Citizenship* (Cheltenham: Elgar, 2009).
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#### About PEF

The Progressive Economy Forum (PEF) was founded and launched in May 2018. It brings together a Council of distinguished economists and academics to develop a progressive and sustainable macroeconomic programme and to foster wider public engagement with economics. It opposes and seeks to replace the current dominant economic narrative based on austerity.

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