
9. Costing a Basic Income for Ireland

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Introduction

What should citizens of a Republic expect in 2016?

Social Justice Ireland believes that all people are entitled to seven rights:

- the right to sufficient income to live life with dignity;
- the right to meaningful work;
- the right to appropriate accommodation;
- the right to relevant education;
- the right to essential healthcare;
- the right to real participation;
- the right to cultural respect.

Social Justice Ireland also believes that the introduction of a Universal Basic Income (UBI) in Ireland would go a long way to upholding this first right. It would also assist in upholding, at least in part, many of the other six rights to which we believe every citizen is entitled.

Interest in the idea of such a guaranteed income, under many different formats and with many different names, has been growing. Examinations of the idea, the likely outcomes and costs, and prospects for success have materialised everywhere from *The Economist* newspaper to the Cato Institute to a recent *Freakanomics* podcast. This year even saw a referendum on Basic Income take place in Switzerland.

Social Justice Ireland has written extensively on the subject in the past (see Healy et al, 2013), and this paper will examine how a system of UBI could have been instituted in Ireland in 2015.

Why a Universal Basic Income?

The structure of Irish society is changing, and with it, the structure of work and employment. Many full-time jobs in the modern economy provide neither a living wage nor guaranteed hours. The traditional labour market faces wage-stagnation and technological disruption, with certain types of jobs disappearing. Already we are seeing some skills being made obsolete, with others becoming less valuable. This is likely to lead to a fall in wages over time. A system of UBI would underpin living standards in such a precarious labour market.

As well as this, our society is gradually ageing. In the future, there will be a requirement for more people in caring roles. A system of UBI would allow people to care for family and neighbours without having to account for their time to the State.

Ireland needs to take account of these facts, and transform how it delivers social welfare. There is a growing realisation that the current system is no longer fit for purpose. A system of UBI would be transformative, and would be a manifestation of a social welfare system fit for the 21st century.

At first, the concept of “free money” may seem to run contrary to many of our basic assumptions about how work, pay and personal responsibility interact. Yet forms of guaranteed income already exist in child benefit, disability payments, and old age pensions. They exist in unemployment benefit, tax credits, and maternity benefit. Such programs were initiated because, at the time, they were the most simple and obvious ways to target a distinct issue, incentivise a particular activity, or achieve a specified outcome. *Social Justice Ireland* argues that direct payments can work for society as a whole.

Basic Income systems have been proposed in many different formats over the last number of decades. This paper will examine a particular framework for UBI, structured in a way that we believe is fair and efficient. Most importantly, it is realistic and sustainable, and could be implemented in Ireland in a very short time. We will also show how such a system could be funded.

Eligibility and Structure

For the purposes of this proposal, we define UBI as a universal non-conditional payment from government, paid regardless of income or wealth, at the same level to everyone in a specified age group. It is granted to every person on an individual basis, without means-test or work requirement. It is tax-free, with all other personal income being taxed.

It would replace almost all⁵⁷ weekly social welfare payments, as well as all tax credits and tax reliefs.

People can top up their income from other sources and, unlike under more traditional means-tested welfare systems, payment of UBI is not affected by changes in employment status. UBI differs fundamentally from the traditional welfare state model in that it is paid unconditionally, giving people the freedom to engage in productive activity without having to meet certain criteria as outlined by the welfare provider.

As noted, many variations of Basic Income have been proposed and examined by different organisations and commentators. *Social Justice Ireland* proposes a system that is fair, efficient and sustainable. The following are some of the basic eligibility conditions and details of the structure.

1. Payment is conditional on residency within Ireland. In line with current welfare requirements, non-citizens must have lived here for a number of years before becoming entitled to a UBI.
2. The level of the payment is age-dependent. Further details are outlined in Table 1.
3. Payment is not available to those serving a custodial sentence.
4. Payment is constant and does not change upon the taking up of employment or the acquiring of other income.
5. All income, aside from the UBI payment, is subject to tax at one single rate of 40%. All other income tax rates, as well as Employee PRSI and Universal Social Charge, are abolished.

⁵⁷ Exceptions to this are detailed in Table 2.

6. The Employer PRSI rate, currently at 10.75%, would increase to 13.5%.
7. There are no tax credits or tax reliefs.
8. The UBI replaces all welfare payments, with the exception of those noted in Table 2.

Payments in 2015

As noted in the preceding section, the level of payment is dependent on the age of the recipient. Table 1, below, illustrates the rates that would have been paid in 2015 under *Social Justice Ireland's* model. These would be the basic rates of payment under the proposed UBI system.

Table 1 UBI Rates of Payment

Payment	Weekly (€)	Annual (€) ⁵⁸	Cost (€m)
Children (0-17)	31.05	1,620	1,978
Working Age Adults (18-65)	150	7,827	22,490
Older people (66-79)	230.30	12,017	5,027
Older people (80+)	240.30	12,539	1,803
Total			31,298

Our proposed system of UBI involves the abolition of all social welfare, bar the payments noted below. *Social Justice Ireland* proposes retaining these welfare payments in order to ensure that the least well-off in society do not lose out unduly due to the introduction of the proposed system. Table 2 details the payments that would have remained alongside UBI, as well as projected costs for such payments, in 2015. They include a €38 per week supplement to those between the ages of 18 and 65 actively seeking paid employment, in order to ensure that the unemployed do not lose under the system being proposed.

Costs are based on outturns from 2015 from the Department of Social Protection (Department of Public Expenditure and Reform, 2015), adjusted to take account of changes that would take effect under a system of UBI, as well as on the author's own calculations. (Further details are available on request).

⁵⁸ Weekly payments are multiplied by 52.18 to give the annual amount.

Table 2 Other Department of Social Protection Expenditure maintained under a system of UBI

Payment	Cost (€m)
Administration	296.3
Back to school clothing and footwear	41.2
Carer's payment (supplement over UBI)	135.8
Child payment (supplement over UBI)	483.9
Citizens Information Board and Pensions Ombudsman	46.9
Cost of Disability allowance	360.3
Death benefit and bereavement	8.9
Domiciliary care allowance	121.3
Free travel	77
Fuel allowance	205.9
Household benefits package	221.1
Miscellaneous Services	7.1
Mortgage interest supplement	11.4
One-parent family payment (supplement over UBI)	346.2
Other working age income supports	42.1
Redundancy and Insolvency	44.2
Rent supplement	310
Respite care grant	124.6
School meals	39
Treatment benefits	30
Working age Employment Supports, including Unemployment Supplement	890.2
Total additional payments and administration and DSP items	3,843

Calculations

In order to illustrate that the aforementioned UBI proposal is financially feasible, *Social Justice Ireland* has proposed the following funding model, based on figures for 2015.

The calculation of the net cost for the system in 2015, and the tax rate required to fund it, is based on data and population projections from Census 2011⁵⁹. The funding model also involves creating savings and efficiencies from certain parts of the welfare system (and from other government departments); removing certain payment types that are no longer required under the system; and the institution of a single tax rate on all income earned aside from the UBI payment.

Table 3 Headline figures of Social Justice Ireland’s UBI proposal

Key Figures	(€m)
Total cost of UBI payments	31,298
Cost of welfare payments maintained under UBI, and Administration	3,843
Total cost of UBI	35,141
Total savings under UBI in other Departments	729
Net cost of UBI	34,412
Total expenditure of Department of Social Protection in 2015	19,893
Current funding from Income Tax, PRSI, USC etc. in 2015	26,763
Surplus of Income Tax over DSP expenditure	6,870
Funding requirement: Net cost of UBI + surplus of existing system	41,281
Employer PRSI	7,704
Yield required from a single rate of income tax on all personal income	33,577
Rate of Income Tax required on all personal income	40%

⁵⁹ The population projection used is M2F1. Updated figures, based on the results of Census 2016, will be published online when the Central Statistics Office makes those results available.

Employer PRSI

Table 4, below, illustrates details of Employer Social Insurance rates from selected developed Western economies. It is clear from this table that Ireland lags far behind its developed western counterparts, with an Employer PRSI rate that is below half the EU average.

There is, therefore, plenty of scope for increasing the contribution made by employers to the system. Increasing the Employer PRSI rate from the current rate of 10.75% to 13.5% (just below that of the United Kingdom, and just above half the European average) is a sensible and justified way to assist in funding a system of UBI.

Table 4 Selected Employer Social Insurance Rates

Country	Employer SI rate
Austria	21.48%
Belgium	35%
EU Average	25.05%
France	43.4%
Germany	19.33%
Global Average	16.85%
Ireland	10.75%
Italy	30%
Japan	14.59%
Netherlands	18.47%
OECD Average	22.03%
Spain	29.9%
Sweden	31.42%
United Kingdom	13.8%
United States	7.65%

Figures from KPMG

Distributional Effects

Table 5, below, illustrates the effective tax rates that different households would have paid in 2015 had a UBI been introduced that year, and the monetary effect of the proposal.

It shows the effective tax rate for each household in 2015 under the current system; the effective tax rate for these households under the proposed system of UBI; and the net change in income under the proposed system. It assumes each household is childless, and that the household is not availing of any tax reliefs.

Table 5 Effective Tax Rates

(Income tax, incl. Employee PRSI and USC, minus Basic income if available; divided by Gross income)

Gross Income	Single Person	Couple (1 Earner)	Couple (2 Earner)
€ 15,000	1.9% / -12.2% / €2,112	1.9% / -64.4% / €9,939	0% / -64.4% / €9,654
€ 20,000	10.2% / 0.9% / €1,872	6.2% / -38.3% / €8,999	1.1% / -38.3% / €7,869
€ 25,000	14.4% / 8.7% / €1,422	7.6% / -22.6% / €7,599	1.3% / -22.6% / €5,983
€ 30,000	17.1% / 13.9% / €972	9% / -12.2% / €7,149	4.3% / -12.2% / €4,944
€ 40,000	23.7% / 20.4% / €1,312	14.4% / 0.9% / €6,249	9.1% / 0.9% / €3,308
€ 60,000	32.8% / 27% / €3,512	25.7% / 13.9% / €7,889	17.1% / 13.9% / €1,943

Excluding the effects of the removal of tax reliefs, UBI would have had a broadly positive effect in 2015, especially among lower income groups. Low-income earners would have very low effective tax rates, and those on very low earnings would receive a top up to their gross wages. High-income earners would face a marginal tax rate of only 40%, compared to over 50% in the current system. Their effective tax rates would also be lower under UBI; however all tax breaks would be closed off.

UBI in operation

As noted earlier, the idea of money for “doing nothing” goes against many of our instincts as a society. Among other things, it may be assumed that such a system will make people lazy. Experience, however, does not bear this out.

In 2005, the poor Namibian village of Otjivero benefited from a UBI-style pilot project. Every resident received \$100 (Namibian) each month; approximately €6.50. Rather than make people lazy and dependent, this payment transformed Otjivero into a village of entrepreneurs. Freed from spending their days trying to meet basic needs, residents focused on bettering their lot. They started small businesses. More children were enrolled in school. People with chronic illnesses benefited from better nutrition.

An experiment during the 1970s in the Canadian town of Dauphin, Manitoba, led to a fall in hospital admissions and mental health consultations amongst participants. High school completion rates increased, particularly among males in low income families (i.e. those students normally under the most pressure to become self-supporting).

The raw data showed employment falling. However, this was partly because teenaged males were staying in school longer. Broadly speaking, the experience has been that adults with full-time jobs don't reduce working hours very much under systems of basic income. The exception is women who want more time off work after giving birth. Primary earners rarely reduce hours. A *well-designed* UBI creates incentives for people to work and does a much better job of supplementing the incomes of the working poor than other kinds of social assistance.

Other probable, if inestimable, benefits from such experiments include savings from reduced bureaucracy and administration, better education and health outcomes, and lower costs associated with reduced crime. Given the minimal effect on the incentive to work shown in many of the studies conducted, it could be argued that the burden of proof is shifted to those who claim a UBI would lead to a significant shift in attitude towards work.

The Benefits of the Proposal

The proposed system of UBI would have many benefits compared to the current welfare system in Ireland. Some of those benefits are listed below.

- The UBI system proposed would be far more easily administered, given the reduced number of payment types and the universality of payments. There would be a much-reduced need for means-testing and other time-consuming tasks, reducing the cost of administering the welfare system.

A conservative estimate, given the number of programmes that would be halted altogether, might be that administration costs would be cut in half;

- UBI would eliminate the poverty traps inherent in traditional means-tested welfare systems. Employment is always worth pursuing, as the UBI will be received in addition to money earned through employment, rather than withdrawn. It is also untaxed;
- Welfare fraud would be more-or-less eliminated, as payment of UBI is not contingent on employment status or means;
- UBI respects and rewards all forms of work, not just paid employment. Caring work, home duties, and child-rearing – all socially and economically imperative work – would receive additional recognition under this system;
- UBI would assist in alleviating poverty, and with payments being universal, there would be no stigmatisation for recipients;
- UBI would be good for the environment, as it facilitates a society and an economy that does not have full paid employment as an overarching goal. Full employment relies on ever-expanding GDP growth, which conflicts with our concerns for the environment. UBI would reduce the extent to which the ability to live life with dignity is tied to labour market participation by a member of the household.

In relation to the poverty traps which exist under the current Irish welfare system, the benefit of UBI was well summed up by Philippe Van Parijs (2016) when he said that because it can be combined with earnings, basic income provides poor people with a floor on which they can stand, rather than a net in which they can get stuck.

Conclusion

Ireland's unemployment rate has been consistently high over the last number of years. Unfortunately, we have structured our society in such a way that the only way most people can live life with dignity is by having

paid employment, or by living in a household where someone is in paid employment.

Yet the only time we have had full employment in this country, it could be said to have been something of an economic miracle. Others might say “economic mirage”. The foundations on which it was based were wholly unsustainable. It appears that Ireland is not capable of providing full paid employment for its citizens in a sustainable manner. A system of UBI in Ireland would go a long way to fulfilling the right of every citizen to live life with dignity.

UBI can help facilitate many of the aforementioned seven rights which *Social Justice Ireland* believes everyone is entitled to. A UBI would provide a floor upon which **sufficient income to live a dignified life** could be built.

It would provide individuals with greater choice about what kind of work they wish to engage in, with the opportunity **to engage in meaningful work**, such as caring work, or volunteer work in the community, that might be impossible without such a payment.

It would help to facilitate **relevant education** and training, and engagement in lifelong learning. It would allow citizens the flexibility to return to full-time or part-time education, giving them an amount of money to assist them in maintaining themselves throughout the period.

A UBI gives citizens the option to reduce their working hours, allowing them additional time to devote to **real participation** in society. This may take the form of political participation or activism, volunteer work within the community, or care work within the home.

And because UBI would treat every citizen equally, regardless of position within the labour market (or not), it would represent an acknowledgement of the equal worth and **cultural respect** of all.

The standard objection to UBI is that it is unaffordable. But this depends largely on what parameters are set: the level of the payment; which benefits it replaces and which (if any) remain; what the eligibility conditions are, and so on. *Social Justice Ireland* has provided a structure that is both affordable and sustainable.

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