



*Social Justice Ireland*

## **Delivering a Basic Income Pilot**

A pathway to a Basic Income Pilot for Ireland



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## Basic Income in Ireland 1970-2020<sup>1</sup>.

**Dr. Seán Healy, CEO, Social Justice Ireland**

### **1970s/ 1980s**

In the late 1970s, the National Economic and Social Council commissioned Brendan Dowling to report on how personal income tax and transfers might be integrated. This report (Dowling, 1977) examined three broad options, one of which was basic income.

Dowling's paper led to very little debate about basic income. However, a wide-ranging debate on tax reform did follow which culminated in the establishment of a Commission on Taxation. In its first of five reports this Commission rejected the concept of a basic income, mostly on the grounds that it would cost too much. Subsequently, it emerged that the costings for Basic Income conducted by this Commission were cursory – described years later as 'back of the envelope calculations' by a prominent participant in that Commission.

A similar fate emerged from the Commission on Social Welfare (1986). It did no calculations of its own but based its conclusions on the published position of the Commission on Taxation. Another reason it decided not to analyse basic income was because it believed that focusing on basic income would represent a distraction from what it considered to be the priority objective i.e., increasing social welfare rates to adequate levels.

Interestingly, 35 years later the Commission's decision to focus on the adequacy of social welfare rates can be seen to have borne little fruit, given that most social welfare rates never reached an adequate level and are far from adequate to this day.

### **1990s**

Two approaches to basic income were developed in Ireland during the 1990s. The first approach (Honohan 1987; and Callan et al., 1994) preserved key elements of the existing tax and spending systems. The second approach (Ward 1994; CORI, 1994, 1995 and 1996; Healy and Reynolds 1995; Clark and Kavanagh, 1995; Clark and Healy, 1997a and 1997b) substituted basic income for the existing tax and welfare systems and some other government spending.

The models developed by Honohan and Callan were broadly similar. Each adult of working age would receive an untaxed payment equivalent to that paid as unemployment assistance. Older people would receive a slightly higher payment and children would receive smaller amounts. All social welfare payments would be discontinued. Existing discretionary tax reliefs would be retained. All government spending programmes would also be retained.

Both authors rejected this approach to basic income on the basis that it would be too costly, would require a high tax rate of the order of 65 per cent and would be likely to act as a disincentive to taking up a paid job.

The other approach, originally developed by Seán Ward, sought to achieve the main benefits of basic income, while reducing the cost, so that the tax rate required would be no more than 50 per cent. A

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<sup>1</sup> I am indebted to the work of others in preparing this summary. Of particular significance were the publications by Seán Ward (1998), (2006). Reynolds et al (2016)

full basic income would be paid to the elderly and children while adults of working age would receive a substantial partial basic income. All discretionary tax reliefs would be abolished. A range of public expenditures would no longer be required.

This approach would provide more equity, both horizontal and vertical; would improve incentives to recruit labour and seek work; and would provide greater simplicity and certainty.

CORI Justice adapted and developed this approach. These developments included: increasing the minimum income to the minimum rate recommended by the Commission on Social Welfare; restoring Employers PRSI at a reduced rate of 8 per cent and introducing additional anti-poverty payments.

CORI Justice also commissioned a study to set out implementation strategies which could be put in place over a three-year period. This was aimed at addressing the problem that was sometimes raised that, even if Ireland could pay for a basic income, it would not be possible to move from the current situation to a full basic income system. Clark and Healy produced two studies in 1997 setting out a pathway that would lead to a full basic income system in Ireland.

In the build-up to the General Election of 1997 the Labour Party, which had been in Government since 1992, included a commitment to producing a White Paper on Basic Income in its election manifesto. However, following the election, they did not form part of the new Government. CORI Justice lobbied the incoming Government to include a Green Paper on Basic Income in its Programme for Government, which it did.

## **2000s**

At the start of the 2000s it was clear that vastly differing estimates had been put forward regarding the personal tax rate that would be required to fund a basic income system in Ireland. Estimates had ranged from 48 per cent (Clark and Healy 1997) to 65 per cent or more (Callan et al 1994). The Callan analysis had also cast doubt on the effectiveness of basic income in alleviating income poverty. If the higher estimates of the tax rate were accurate, then basic income would not be viable; if basic income could not address income poverty, then basic income might not be desirable.

The Government Green Paper on Basic Income (Department of the Taoiseach, 2002) attempted to address these issues – the required personal tax rate and the impact on income poverty. It also examined other impacts, including the impact of basic income on participation in paid employment.

Underpinning the Green Paper analysis was a full basic income model with the following characteristics:

- Basic Income payments were paid unconditionally and payment amounts were aligned with social welfare rates, which they replaced
- All tax expenditures were abolished
- All farm income supports remained
- Direct Interest Retention Tax was set at 24 per cent
- Employee PRSI / levies were abolished
- A Social Responsibility Tax (replacing Employers PRSI) was set at 8 per cent; this money was used to provide 'top up' payments to certain low-income individuals.

The Department of Finance estimate of the tax rate required to finance the proposal was 48 per cent on personal income. The Green Paper also showed that a large majority of those living in poverty would benefit from basic income.

Two definitive results emerged from the Green Paper analysis:

- The earlier, very high, estimates of the personal tax rate required to finance basic income were no longer applicable
- Basic income would be effective in addressing income poverty.

## **2010s**

In 2010 Social Justice Ireland published a study entitled *Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits* (Social Justice Ireland, 2010). A refundable tax credit is one where, if the income of an individual is insufficient to use up all his or her tax credits (Personal Tax Credit, PAYE Tax Credit), the remaining credit is paid to the individual by means of a cash transfer. A refundable tax credit can be a mechanism for implementing a basic income.

The study found that some 113,000 low-income workers would benefit from the proposal and that the exchequer cost of the proposal would be €140m per annum.

Social Justice Ireland also presented a paper *Basic Income – Why and How in Difficult Times: Financing a BI in Ireland* to the BIEN International Congress in 2012 (Healy et al. 2012). The context for the paper was the economic crisis in the EU and the “series of decisions which have been made that have seriously damaged Ireland’s most vulnerable people, that place a disproportionate burden on their shoulders and seriously damage the social infrastructure on which they depend” (ibid.).

The study reported that, despite generous tax reliefs, only half of the workforce was covered by a private pension scheme. In addition, the current state pension constituted the main source of income for over 80 per cent of those aged 65 and over in 2011. Only the highest earning 20 per cent of pensioners did not rely on the state pension for most of their retirement income. Even then, the state pension constituted the single largest source of income for the top quintile.

Given the ineffectiveness of generous tax reliefs in promoting pension coverage and the modest role of private pensions in supporting pensioners’ incomes, the Report recommended that the marginal rate of tax relief on private pension contributions should be reduced to the standard rate of 20% and this measure should also apply to the Public Service Pension Related Deduction (or ‘pension levy’). This would be a strongly progressive change, as nearly 82% of the additional benefit flowing from tax relief at 41% instead of 20% went to the top 20% of earners, with 56% accruing to the top 10% of earners. The standard-rating of pension contributions together with some further restriction on the extent of tax relief claimed would more than fund the Universal Pension proposal in the current year and for every year up to 2046. According to the Report, the proposal would have many benefits as it would:

- Provide older citizens, regardless of their previous social insurance contribution record or means, a guaranteed income during old age
- Provide those older people who do not receive any support through the State pension system with a pension, thus achieving universal coverage
- Provide a secure and certain framework around which citizens can plan for their retirement.

### **Organisations which have analysed and promoted basic income in Ireland**

Two organisations have been to the fore in analysing and advocating for basic income in Ireland: *Social Justice Ireland* (and prior to 2009 *CORI Justice*) and *Basic Income Ireland*.

*Social Justice Ireland* ([www.socialjustice.ie/](http://www.socialjustice.ie/)) has been the source of most of the analyses of basic income in Ireland over the last 20+ years. In its annual publications, *Socio-Economic Review* and *Budget Choices*, the organisation has consistently argued that basic income represents a better option than the current system. It co-hosted the international Bien Congress in Dublin in 2008. Basic income has featured prominently in several of its annual Social Policy conferences.

*Basic Income Ireland* ([www.basicincomeireland.com/](http://www.basicincomeireland.com/)) has been in existence since the 1990s and is one of Bien's (Basic Income Earth Network) oldest national affiliates. It co-hosted, with *Social Justice Ireland*, the international Bien Congress in Dublin in 2008. From 2011, it has become much more active in hosting public meetings, writing papers and articles, leafleting, and engaging with the media. It hosts an annual Summer Forum on basic income featuring Irish and international speakers.

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## Why is Basic Income a Good Idea?

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The idea of a basic income, “an income unconditionally granted to all on an individual basis, without means test or work requirement”<sup>2</sup> is something that *Social Justice Ireland* has been proposing for decades. At its core, a Basic Income is a guaranteed payment from the State to every resident - on an individual basis - without any means test or work requirement and intended to provide for a subsistence level lifestyle for everyone.

It provides a floor of income below which no one should fall. This safety net, in turn, provides for a number of other benefits.

### *Changing world of work*

Our economy is changing in many way, with the growth of various forms of part-time, precarious and different forms of self-employment over recent years. While the number of people employed is higher now than in most years since 2007 among these jobs, part-time employment has become a more frequent occurrence and now represents almost one in five jobs. Within those part-time employed it is worth focusing on those who are underemployed, that is working part-time but at less hours than they are willing to work. By the fourth quarter of 2020 the numbers underemployed stood at 101,400 people, 4.4 per cent of the total Labour Force and about one-quarter of all part-time employees (Table 1).

**Table 1: Ireland’s Labour Force Data and Covid-19 Impact, 2019–2020**

	2019	2020	Dec 2020- Covid	Covid - impact
Labour Force	2,471,700	2,445,100		
LFPR %	62.7	61.3		
Employment %	70.2	67.8	57.5	- 10
Employment	2,361,200	2,306,200	1,970,609	- 335,591
<i>Full-time</i>	1,868,300	1,871,200		
<i>Part-time</i>	492,900	434,900		
<i>Underemployed</i>	108,400	101,400		
Unemployed %	4.5	5.7	19.4	+ 14
Unemployed	110,600	138,900	468,655	+ 329,755
LT Unemployed %	1.6	1.5		
LT Unemployed	38,700	36,800		
Potential Additional LF	98,700	162,500		

**Source:** CSO, LFS Quarter 4 2020 and associated releases (CSO, 2021), extracted from Chapter 5 of *Social Justice Ireland’s Socioeconomic Review, Social Justice Matters: a 2021 guide to a fairer Irish society*<sup>3</sup>.

**Notes:** Data is for Quarter 4 2019, 2020 and the Covid impact estimates for December 2020. LFPR = ILO labour force participation rate which measures the percentage of the adult population who are in the labour market. Employment % is for those aged 15-64 years. Underemployment measures part-time workers who indicate that they wish to work additional hours which are not currently available. LT = Long Term (12 months or more). LF = Labour Force.

<sup>2</sup> The definition of basic income by the Basic Income Earth Network (BIEN).

<sup>3</sup> Healy et al. (2021): *Social Justice Matters: a 2021 guide to a fairer Irish society*. Social Justice Ireland: Dublin



Judged over time, the CSO labour force data suggest the emergence of a greater number of workers in precarious employment situations. The growth in the number of individuals with less work hours than ideal, as well as those with persistent uncertainties concerning the number and times of hours required for work, is a major labour market challenge and one which may grow in the period ahead. Aside from the impact this has on the well-being of individuals and their families, it also impacts on their financial situation and adds to the challenges faced by the working-poor.

Changing technologies also mean that this trend is likely to increase. A recent report from the European Parliament Research Service,<sup>4</sup> while acknowledging digital technologies can create the basis for higher living standards with less work, also recognised that they can lead to skill gaps, greater inequality and a more polarised society. They can also erode job quality by eliminating valuable skills, intensifying monitoring at work, and extending atypical (or 'gig') work.

Employment in the future, in certain sectors at least, may be scarce as the impacts of automation and globalisation are realised.

*Social Justice Ireland* believes that now is the time to adopt substantial measures to address and eliminate these problems and create a welfare system fit for a 21<sup>st</sup> Century economy and society. One such measure being the introduction of a Basic Income.

#### *Choice and Flexibility*

Having the safety net of a Basic Income also allows for flexibility to innovate without the worry of a complete loss of income. This allows prospective entrepreneurs to start up a new business; to return to full- or part-time education; or to take some time out for caring responsibilities, to care for children or sick or elderly relatives.

Because you get to keep your Basic Income payment irrespective of your situation, individuals will know that they are always better off taking up employment. This is not the case with the current system, where the removal of welfare payments on starting a job can mean a reduction in household income. This leads to individuals needing to consider whether employment is worth their while as their earnings are offset by both the cost of accessing employment and the benefits that they lose.

#### No more unemployment traps.

#### *Will improve everyone's quality of life*

Basic Income is an enabler. It allows everyone the freedom to choose how to spend their time and how much of that time they want to spend in paid employment, caring, volunteering, accessing education, engaging in leisure activities and so on. It also gives people the choice to avoid jobs that they find unfulfilling, or maybe morally or socially unacceptable. This improves the quality of living standards in Ireland, one of the objectives of the Government's paper on Wellbeing and the Measurement of Broader Living Standards in Ireland<sup>5</sup>, published with Budget 2021, and of the Wellbeing Framework subsequently to be designed.

#### *Part of the new Social Contract*

All citizens contribute to the common good and should, therefore, be entitled to the proceeds of their society. Our shared responsibility as a society means meeting the basic needs of others. As society moves further away from the economy of the mid-20th century (when the foundations of most of the

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<sup>4</sup> [http://www.europarl.europa.eu/stoa/en/document/EPRS\\_STU\(2021\)656311](http://www.europarl.europa.eu/stoa/en/document/EPRS_STU(2021)656311)

<sup>5</sup> <https://assets.gov.ie/90764/74a122af-0acf-4384-86b5-a0dbd6cca8f5.pdf>

welfare states of the western world were developed), it is increasingly important that the State set minimum floors of income and services below which none of their citizens should fall. Robust and well-funded public services set the floor which underpins the living standards of most people. Accessible healthcare, high-quality education, a well-regulated housing sector, subsidised public transport, and other important contributions to essential services, are things without which most citizens would have a significantly more difficult existence.

However, even in a situation where most or all of these things are cheap (or even free), individuals will have income needs to enable them to participate in society at a level considered the minimum social norm. This is why Universal Basic Income and Universal Basic Services are complementary policies, essential to ensuring that everyone in society has sufficient income and sufficient access to public services to live life with dignity and experience living standards expected in a first world country. The better the quality (and the better subsidised) the services, the lower the level of basic income necessary<sup>6</sup>.

### *Environmental benefits*

Finally, and possibly surprisingly for some, Basic Income also provides environmental benefits. Today, citizens are calling for social well-being and the environment (as well as other goals) to take centre-stage in public policy discussions. Not only is economic growth alone not enough to achieve these new public policy goals, very often, economic growth and full employment can be pursued in a manner which is contrary to these goals. Economists have started to redirect their attention to how social and environmental factors affect the economy, and how the economy can affect people, communities, society and the planet<sup>7</sup>.

Basic Income facilitates a society and an economy that promotes environmental protection and the wellbeing of all.

### **But it's not just us who think so...**

The idea of money for “doing nothing” goes against many of our instincts as a society, with the criticism that it will make people lazy and encourage them to opt out. International experience, however, does not bear this out.

#### *Otjivero (2005)*

This was a Basic Income-style pilot project in a poor Namibian village. Every resident (under retirement age) received \$100 (Namibian) each month, approximately €6.50 equivalent. What the outcomes of this pilot found was, rather than make people lazy and dependent, this payment transformed Otjivero into a village of entrepreneurs. It freed people from spending their time trying to meet basic needs, so residents could focus on improving their living conditions – some started small businesses; more children were enrolled in school; crime rates decreased, as did the rate of malnutrition.

#### *Dauphin, Manitoba, Canada, mid-70s*

A Basic Income pilot programme prior to that, undertaken in Canada in the 1970s saw participants paid between \$3,000 and \$5,000 (approximately \$16,000-\$20,000 in today's money). The focus of this

<sup>6</sup> This forms part of *Social Justice Ireland's* policy proposals for a new Social Contract, available on our website here: <https://www.socialjustice.ie/content/publications/building-new-social-contract-policy-recommendations>

<sup>7</sup> See Clark, C. And Kavanagh, C. (2021): Measuring Ireland's Progress – Sustainable Progress Index 2021 <https://www.socialjustice.ie/content/publications/measuring-irelands-progress-sustainable-progress-index-2021>

experiment was on low-income households, rather than a universally representative sample. The findings of this experiment are still proving fruitful and much has been written about it, but essentially it 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; there was a reported reduction in teenage male early school leavers. Broadly speaking, the experiment found that adults with full-time jobs did not reduce their working hours, with the exception of women who were facilitated to take more time off work after childbirth. Primary household earners rarely reduced their working hours.

*Finland, 2017/2018, results published in 2020*

This experiment provided a partial basic income of €560 per month to 2,000 randomly selected unemployed participants aged between 25 and 58. The findings of this experiment found that Basic Income had better impact on employment than an obligatory activation model; participants who received Basic Income reported improved wellbeing and cognitive abilities in every category measured; and there was no evidence to support the contention that Basic Income makes people lazy<sup>8</sup>.

#### **Basic Income is *not*....**

- a *sole* means of alleviating poverty
- an alternative to publicly funded education and healthcare
- an excuse to withdraw other public services

Whether it would replace other payments to people at particular risk of poverty would depend on what level the basic income is set at, amongst other things. Generally, it would be the aim of the system that individuals on the margins of society, or already in difficulty would not be made worse off, so a number of those payments could be maintained.

#### **More Equal Societies are Better Societies**

Policymakers must acknowledge that a thriving economy is not a goal in itself but a means to social development and wellbeing for all. Substantial evidence has emerged in recent decades to support the view that economies and societies perform better across a number of different metrics, from better health to lower crime rates, where there is less inequality<sup>9</sup>.

A Basic Income, which provides a floor below which no one can fall, is a move towards creating a more equal Irish society.

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<sup>8</sup> [The Unheard Results of The Finnish Basic Income Experiment - UBIE - Unconditional Basic Income Europe](#)

<sup>9</sup> Wilson, R. and Pickett, K (2009): *The Spirit Level: Why More Equal Societies Almost Always do Better*. Penguin: London.

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## Implementing a Universal Basic Income Pilot for Artists and Arts Workers in Ireland

**Seán Ward, Director, Social Justice Ireland**

### Introduction

The rationale for introducing a Universal Basic Income – and the benefits which would arise – have been extensively documented. The *Programme for Government* has a commitment to introduce a pilot Universal Basic Income (UBI) scheme in the lifetime of the Government and the *Arts and Culture Recovery Task Force Report* recommended that the pilot UBI be applied to artists and arts workers. In this paper a four-year pilot is proposed for artists and arts workers so that the benefits and any unforeseen impacts can be assimilated and assessed. Observations and suggestions for improvement will be welcome.

### Purpose of the UBI pilot for artists and arts workers

There is a three-fold purpose:

- (i) To provide a secure basic income for artists and arts workers for the life of the pilot to relieve some financial stress and enable them to focus on their art and maximise their achievements in their chosen field.
- (ii) To develop/adjust the UBI model in the light of ongoing evaluation in order to maximise its effectiveness in achieving the above objectives, without unduly increasing overall expenditure on the pilot.
- (iii) To assess the implications of the pilot for:
  - Possibly turning the pilot into a permanent scheme for artists and arts workers, and/or
  - Extending the pilot across society.

### Outline of the paper

This paper proposes a model for the pilot for consideration. The paper covers:

- a) Eligibility for the UBI pilot;
- b) The payments to be made to artists under the pilot scheme;
- c) The implications for other Social Welfare entitlements;
- d) The income tax / PRSI / USC that will be payable by artists;
- e) Implications for spouses and co-habiting partners;
- f) The number of participants and the likely Exchequer cost;
- g) The evaluations that will be carried out;
- h) Legislative changes;
- i) Governance of the pilot scheme;
- j) Proposed timeline;
- k) Conclusion.

All of these elements will be subject to consideration and review by the proposed Steering Group – see (i) below.

**(a) Eligibility for the UBI pilot**

There exists a Social Welfare Scheme for Professional Artists on Jobseeker Allowance. Drawing on that Scheme, here are the eligibility criteria which will be relevant for the UBI pilot:

<b>Proposed eligibility criteria for artists in the pilot</b>	
<ul style="list-style-type: none"> <li>• Aged over 18 and under 66</li> <li>• Meet the <a href="#">habitual residence condition</a></li> <li>• Be a member of one of the listed <a href="#">certifying professional organisations</a> (see below) and provide a certificate or declaration from a professional body as to your status as a professional artist</li> <li>• Be registered as self-employed with Revenue</li> <li>• At least 50% of your income must be derived from your work as a professional artist in the previous year.</li> <li>• Examples include:               <ul style="list-style-type: none"> <li>○ sales of artworks, books or artistic editions</li> <li>○ royalties</li> <li>○ bursaries and grants arising from status as an artist</li> <li>○ book readings</li> <li>○ appearance or lecture fees</li> <li>○ artists' fees on commissioned works, exhibitions, consultancy, selection or artistic advisory panels, education and outreach programmes, design consultants.</li> <li>○ art awards and prizes</li> <li>○ artistic residencies, technical and installation support.</li> </ul> </li> </ul>	

Following are the recognised professional disciplines and certifying organisations:

<b>Artform</b>	<b>Professionals</b>	<b>Certifying Organisations</b>
<b>Visual Arts</b>	Visual artists	Visual Arts Ireland
<b>Theatre</b>	Actors Costume Designers Theatre Directors Set Designers Stage Designers	Actors Equity / SIPTU
<b>Literature</b>	Writers	Irish Writers Centre
<b>Music</b>	Musicians, including traditional, popular and folk	Musicians Union of Ireland / SIPTU
<b>Dance</b>	Dancers Choreographers	Dance Ireland
<b>Opera</b>	Composers	Musicians Union of Ireland / SIPTU
<b>Film</b>	Actors Screen Writers Film Directors	Actors Equity / SIPTU Writers Guild of Ireland Screen Directors Guild of Ireland
<b>Circus</b>	Street Performers	Irish Street Arts, Circus and Spectacle Network

It is proposed that the pilot will run for four years.



**(b) The payments to be made to artists and arts workers under the pilot scheme**

The proposed level of payment is the same as under the Job Assist scheme, i.e. €203 per week. It is withdrawn gradually once Market Income exceeds €170,000 and it is withdrawn completely when Market Income reaches €250,000.

The model which is described here relates to a UBI of €203 per week, for which details are in Appendix 1.

**(c) The implications for other Social Welfare entitlements**

UBI will replace almost 60 weekly social welfare payments, as well as all income 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.

*Social Justice Ireland* proposes retaining several welfare payments in order to ensure that the least well-off among the artists and arts workers in the pilot do not lose out. In some cases, existing Social Welfare payments will be converted to supplements on top of UBI. Care needs to be taken to ensure that these supplements are calibrated so that artists on low incomes do not lose out. Here are some of the payments that will be retained by participants in the UBI pilot (this would also be the case if such a Basic Income were introduced for other groups in the State or was made Universal):

- Back to school clothing and footwear
- Carer's payment (supplement over UBI)
- Child payments
- Death benefit and bereavement
- Maternity/Paternity/Parents/Adoption (supplement)
- Domiciliary care allowance
- Free travel
- Fuel allowance
- Household benefits package
- Mortgage interest supplement
- One-parent family payment (supplement over UBI)
- Redundancy and Insolvency
- Rent supplement
- Respite care grant
- School meals
- Treatment benefits
- SWA Exceptional/Urgent Needs
- Other working age supports.

**(d) The income tax / PRSI / USC that will be payable by artists**

The core of the proposed model is:

- UBI will be included in Total Income and be part of the tax base.
- UBI will be progressively withdrawn for very high earners.

- The rate of tax will increase progressively in accordance with Total Income.

Income Tax, PRSI and USC will be combined into a single composite tax based on Total Income, which includes Market Income and UBI. The initial composite tax rate will be very low and will start to be applied when Total Income just exceeds UBI. Thereafter, the composite tax rate will increase gradually. The effective tax rate on market income will never exceed 50 per cent. Participants in the pilot will be deemed to have fully paid Class A PRSI contributions throughout their participation in the pilot. Participants will not be able to avail of any tax credits and allowances, including the Artists' Exemption from Income Tax.

It is proposed that the Revenue Commissioners will provide an on-line ready reckoner, so that the composite tax payable on every level of income can be displayed. Appendix 1 contains details of net income under current arrangements and under the UBI proposal for different levels of market income. Following is an extract from Appendix 1, showing market incomes from €5,000 p.a. to €40,000:

<b>Current system</b>						
<b>Market income</b>	<b>€5,000</b>	<b>€10,000</b>	<b>€15,000</b>	<b>€20,000</b>	<b>€30,000</b>	<b>€40,000</b>
<b>Income Tax/PRSI/USC</b>	€0	€0	€120	€1,378	€4,553	€8,343
<b>Net Income</b>	€5,000	€10,000	€14,880	€18,622	€25,447	€31,657
<b>Proposed UBI pilot for artists and arts workers:</b>						
<b>Market income</b>	<b>€5,000</b>	<b>€10,000</b>	<b>€15,000</b>	<b>€20,000</b>	<b>€30,000</b>	<b>€40,000</b>
<b>UBI</b>	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593
<b>Composite Income tax</b>	€2,695	€4,810	€6,407	€8,172	€12,205	€16,909
<b>Net income</b>	€12,897	€15,783	€19,186	€22,421	€28,388	€33,684
<b>Difference: UBI pilot minus Current system</b>						
<b>UBI-Current</b>	€7,897	€5,783	€4,306	€3,779	€2,941	€2,027

#### **(e) Implications for spouses and co-habiting partners**

For spouses and co-habiting partners who are artists and arts workers, they can apply to participate in the pilot. If they are not in the pilot, the implications will be as follows:

- For Social Welfare entitlements, spouses and co-habiting partners will be treated as dependent adults.
- For Income Tax, PRSI, USC, they will pay contributions based on their own income. They will benefit from the single person tax credit and the employee (or earned income) tax credit. They will also be able to avail of other tax credits and allowances. There will not be joint Income Tax assessment.

#### **(f) The number of participants and the likely Exchequer cost**

In the first quarter of 2020, there were 11,400 people employed in the Creative Arts and Entertainment Activities sector<sup>10</sup>, all of whom could be eligible in principle. There may have been a further 600 unemployed artists at that time<sup>11</sup>. According to the Department of Social Protection,

<sup>10</sup> CSO Labour Force Survey, Q1, 2020, Division 90.

<https://www.cso.ie/en/releasesandpublications/er/lfses/lfsemploymentseriesq12020/>

<sup>11</sup> On a pro rata basis with unemployment in the wider R-U sectors (Table supplied by the CSO).

14,200 people in the Arts, Entertainment and Recreation sector were in receipt of a Pandemic Unemployment Payment (PUP) at the height of the first wave of the Covid-19 pandemic<sup>12</sup>. This latter figure is taken to be the maximum number of artists and arts workers who would be eligible for the pilot.

Regarding the number of participants in the pilot, two options are possible.

- The **first** option is to give all eligible artists and arts workers the opportunity to participate in the pilot. On-line applications will be invited from eligible artists and arts workers. In the applications, they will be asked to confirm that they will facilitate research of the pilot by cooperating with survey and interview requests and allowing their administrative data (e.g. Revenue and Social Welfare) to be used. A key benefit of this option is that all artists and arts workers will be able to avail of the advantages of UBI.

As this is a UBI pilot, limited to eligible artists and arts workers, there is only modest exposure for the Exchequer. For example, if a participant is currently unemployed, the additional cost per week for public funds would be zero. If a participant is currently earning €30,000 p.a., the additional cost for public funds (from Appendix 1) would be €2,941 p.a. If one-third of the participants are unemployed and two-thirds earn €30,000 per annum, the average cost per participant will be €1,970 p.a.<sup>13</sup> If 14,200 eligible participants apply and are accepted into the pilot, the annual Exchequer cost could be €27.4m<sup>14</sup>. This can be regarded as an upper bound estimate in that it is unlikely that all artists and arts workers will apply.

- There is a **second** option: to limit the number of participants and to include a comparator group. Under this option, on-line applications will be invited from eligible artists and arts workers. In the applications, they will be asked to confirm that they will facilitate research of the pilot (whether or not they are selected), by cooperating with survey and interview requests and allowing their administrative data (e.g. Revenue and Social Welfare) to be used. Applicants who fulfil the criteria will be selected based on the date and time of application. Quotas for age and gender can be applied so that the pilot is representative of the population per the Census of Population. A matched comparator group will also be selected. A benefit of this option is that comparisons are possible between those artists and arts workers on UBI and those artists and arts workers who are not.

If the pilot has 3,000 artists and arts workers, one-third currently unemployed and two-thirds earning €30,000 p.a., the annual cost will be c. €5.3m.

### **(g) The evaluations that will be carried out**

Two types of evaluation are proposed: formative and summative. In *formative* evaluation, researchers will seek to identify improvements which could be made quickly to the scheme. Areas for improvement could include: administration, anomalies in entitlements which come to light,

<sup>12</sup> On 5 May 2020. <https://www.gov.ie/en/press-release/a6f34d-update-on-payments-awarded-for-covid-19-pandemic-unemployment-paymen/>

<sup>13</sup> According to the CSO, average earnings in the wider Arts, Entertainment and Recreation sector in Q1, 2020 were €30,300. <https://data.cso.ie/table/EHQ03>

<sup>14</sup> A similar result is obtained if half the participants are unemployed and average earnings are €20,00 p.a.

circumstances which were not foreseen etc. This type of evaluation will consist primarily of interviews with participants and administrators.

*Summative* evaluation will focus on monitoring and reporting on key impacts of the pilot. Variables to be monitored will include:

- Total Income (level and security);
- Market income;
- Need to work outside the sector;
- Ability to develop art/performance;
- Ability to plan ahead;
- Level of stress
- Health
- Wellbeing (aspects not covered above such as capacity to participate, contribution to local community etc.).

Data will be gathered from administrative records and from surveys and interviews with participants. The annual cost of evaluation could be approximately €100,000 to €150,000.

#### **(h) Legislative changes**

It is likely that some legislative changes will be required to facilitate the pilot. These will be identified by the Revenue Commissioners and the Department of Social Protection and included in the Finance Bill and the Social Welfare Bill as required.

#### **(i) Governance of the pilot scheme**

The pilot will be administered by a dedicated unit within the Revenue Commissioners. The pilot will be overseen by a Steering Group, chaired by a person such as Claire Duignan (Chair of the Arts and Culture Recovery Task Force), representing the following organisations (may be adjusted as agreed):

- Department of Media, Tourism, Arts, Culture, Sport and the Gaeltacht
- National Campaign for the Arts
- Department of Finance
- Revenue Commissioners
- Department of Social Protection
- Irish Theatre Institute
- Low Pay Commission
- ICTU
- Social Justice Ireland.

The secretariat will be provided by the Department of Media, Tourism, Arts, Culture, Sport and the Gaeltacht.

The role of the Steering Group will be:

- To draft the scope and rules of the pilot for approval by the Minister of Media, Tourism, Arts, Culture, Sport and the Gaeltacht and Government;
- To oversee the implementation of the pilot;

- To agree adjustments to the operation of the pilot;
- To commission research of the pilot;
- To produce an annual report on the operation of the pilot and research findings.

***Establishing the Steering Group is the first thing that needs to be done.***

### **(j) Proposed timeline**

The pilot *could* go 'live' on 1 January 2022. Following are some key milestones for going live on that date:

#### *May 2021*

The Steering Group is appointed and commences work.

#### *May-July 2021*

This proposal is discussed/modified by the Steering Group and a Memorandum goes from the Minister of Media, Tourism, Arts, Culture, Sport and the Gaeltacht to Government by the end of July.

#### *August-October 2021*

The Revenue Commissioners and the Department of Social Protection prepare legislative amendments that will be required in the Finance Bill and Social Welfare Bill.

Revenue establish a Unit to implement the pilot and commence IT preparations. The Steering Group oversees all preparations for the pilot, including publicity and the engagement of researchers to evaluate the pilot.

#### *November-December 2021*

Applications are invited from artists and arts workers and their eligibility is assessed.

#### *January-December 2022*

The pilot is up and running. Minor modifications are considered and agreed by the Steering Group if indicated by formative evaluations. The Steering Group prepares an Annual Report to include the results of evaluations.

#### *January-December 2023*

As for the previous year. Summative evaluation will have access to full-year data.

#### *January-December 2024 and following years*

Further research is carried out into the implications of extending UBI across the society, using the results of the evaluations. Such additional research will include:

- Total Income (level and security);
- Market income;
- Ability to develop skills;
- Ability to plan ahead;
- Level of stress;
- Health

- Wellbeing (aspects not covered above such as capacity to participate, contribution to local community etc.).

The research will also cover other areas, including:

- The Exchequer implications of extending UBI across society;
- The likely impact on labour supply;
- The distributional consequences.

### **(k) Conclusion**

In Ireland, there have been many studies, papers, seminars and much speculation as to how basic income would work and what the effects of basic income might be. Ultimately, the biggest element in these activities has been conjecture.

Like the novice swimmer circling around the edge of the swimming pool wondering: Will I drown? Will it be cold? Will I float? Will I be good at this? The only way to find out is to enter the water!

The proposed UBI pilot for artists and arts workers provides the first opportunity in Ireland to find out the answers to many of the questions which have been speculated about over a long period.

***Early and considered implementation of the pilot will be key to getting the answers.***

**Appendix 1**

**Net incomes under the UBI pilot for artists and arts workers  
vs  
Net incomes under current arrangements**

Comparison between the proposed UBI model and the current system										From 2021 Budget			May-21								
<b>Current system</b>																					
Market income	€5,000	€10,000	€15,000	€20,000	€30,000	€40,000	€50,000	€75,000	€100,000	€150,000	€200,000	€250,000	€300,000	€400,000	€500,000						
Income tax/Employee PRSI/USC (per PwC)	€0	€0	€120	€1,378	€4,553	€8,343	€13,193	€25,491	€38,491	€64,491	€90,491	€116,491	€142,491	€194,491	€246,491						
Net income	€5,000	€10,000	€14,880	€18,622	€25,447	€31,657	€36,807	€49,509	€61,509	€85,509	€109,509	€133,509	€157,509	€205,509	€253,509						
Marginal tax rate		0%	2%	25%	32%	38%	49%	49%	52%	52%	52%	52%	52%	52%	52%						
Effective tax rate (on market income)	0.0%	0.0%	0.8%	6.9%	15.2%	20.9%	26.4%	34.0%	38.5%	43.0%	45.2%	46.6%	47.5%	48.6%	49.3%						
<b>Proposed system: UBI = Job Assist payment</b>										Tax rates comprise Income Tax, USC and PRSI											
Level of Basic Income (p.w. / p.a.)	<b>€203</b>			<i>Items in bold italics below can be changed</i>																	
Level of market income when UBI withdrawal starts				<b>€10,593</b>						Level of market income when UBI withdrawal is complete											
Level of total income when low UBI tax starts				<b>€10,593</b>						Low tax rate			<b>20%</b>			Phased in up to total income of			<b>€17,000</b>		
Level of total income when balance UBI tax starts				<b>€10,593</b>						Balance tax rate			<b>30%</b>			Phased in up to total income of			<b>€100,000</b>		
Market income	€5,000	€10,000	€15,000	€20,000	€30,000	€40,000	€50,000	€75,000	€100,000	€150,000	€200,000	€250,000	€300,000	€400,000	€500,000						
Basic Income	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593	€10,593						
Withdrawal of UBI	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0	€3,972	€10,593	€10,593	€10,593	€10,593						
Total income	€15,593	€20,593	€25,593	€30,593	€40,593	€50,593	€60,593	€85,593	€110,593	€160,593	€206,620	€250,000	€300,000	€400,000	€500,000						
UBI Low tax rate (Income tax /USC / PRSI)	€2,433	€4,119	€5,119	€6,119	€8,119	€10,119	€12,119	€17,119	€22,119	€32,119	€41,324	€50,000	€60,000	€80,000	€100,000						
Balance UBI tax (Income tax /USC / PRSI)	€262	€691	€1,288	€2,053	€4,086	€6,790	€10,166	€21,540	€33,178	€48,178	€61,986	€75,000	€90,000	€120,000	€150,000						
Net income	€12,897	€15,783	€19,186	€22,421	€28,388	€33,684	€38,308	€46,934	€55,296	€80,296	€103,310	€125,000	€150,000	€200,000	€250,000						
Marginal tax rate (on previous market income)		42%	32%	35%	40%	47%	54%	65%	67%	50%	54%	57%	50%	50%	50%						
Effective tax rate (on market income)	-157.9%	-57.8%	-27.9%	-12.1%	5.4%	15.8%	23.4%	37.4%	44.7%	46.5%	48.3%	50.0%	50.0%	50.0%	50.0%						
Difference in net income (Proposed-Current)	€7,897	€5,783	€4,306	€3,799	€2,941	€2,027	€1,501	-€2,575	-€6,213	-€5,213	-€6,199	-€8,509	-€7,509	-€5,509	-€3,509						



**Social Justice Ireland** is an independent think-tank and justice advocacy organisation of that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.



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