
3. Citizenship and Basic Income

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The social contract is not only about our relationship with the state; it is also about our relationships to one another. One of the concerns expressed with the notion of a Universal Basic Income is that it embeds an atomised view of society with individual recipients seen as separate from one another. It has been claimed by opponents that this undermines notions of citizenship and reciprocity. However, this fundamentally misunderstands the potential of Basic Income to underpin citizenship.

In the Royal Society of Arts' (RSA) paper advocating a Universal Basic Income, a new social contract – a set of relationships between citizens and the state and one another – was outlined. We argued that whilst the principle of contributory welfare (you receive a greater level of support and services the more you put into the system over time) was problematic as it was poorly targeted, a new system of Basic Income should be 'contribution enhancing'. That means it is not the structure of payments and support that is crucial but what we as a society expect of each other in return.

Norm setting around institutions would be a crucial component of a Basic Income system. Citizenship is not just about what supports you receive; there is also an expectation that a contribution is made. This does not mean the return of corrosive and intrusive conditionality and a destructive sanctions regime. But it does mean that the full range of contributions that a Basic Income can support – entrepreneurship, caring, work, learning and voluntary activity - are valued. The mistake that the current system in the UK makes is that it clumsily and bureaucratically tries to hardwire a system; one that is focused narrowly on waged work only (important though work is). Instead, could a wider conversation about what contributions can and could be supported with the Basic Income not be of significant value?

A couple of years ago, I was told of two young mothers who were studying for a qualification in nursing care. Towards the end of their studies a local Job Centre Plus (the UK benefits and employment agency) insisted that they

make themselves available for work or face sanction. They left their course and failed to qualify. They lost out and their time had been wasted. They were locked in the same oscillation between benefits and poor quality work. And society lost too - we need nursing care workers.

There seemed to be something so unjust in this story that it required further deep reflection. What sort of system could create this situation? The answer seemed to be one whose internal logic was arbitrary, coercive and short-sighted. The balance between the state and the individual was all wrong. These women wanted to make a contribution to society. They were being good citizens and they were punished as a result. We have to question the ethics of such a system (if you want to see further examples of this in action then I highly recommend the Ken Loach film, *I, Daniel Blake*).

As the RSA pursues the 'power to create', this interface between the state and the individual as well as notions of the interrelationship between individuals needed further research and thought. We came to the conclusion that a Basic Income might provide a better answer as both an aspect of and support for citizenship.

A Basic Income is an unconditional payment to each individual (ie it is not based on household). It is a building block for security and is designed to support the individual as they work, care (or are cared for), set up a business, or learn.

We have seen interest in the idea of a Basic Income swell over the past twelve months. In the US, Switzerland, Netherlands, Finland and Canada there is an energetic debate about a Basic Income and pilots are being planned. Basic Income-type experiments were first carried out in the US and Canada in the 1970s – the impact of the Canadian experiment in particular was significant and positive.

Increasing modern concerns about the impact of automation, artificial intelligence, and superlative computing power has also driven interest.

The RSA is becoming involved in the debate not simply to add to the considerable philosophical and theoretical thicket. (Disability support and housing costs are additional to our scheme). We have accepted the arguments in favour – that Basic Income is the best system to support the

range of contributions that people wish to make - as well as being the most humane system- and we set ourselves the goal of helping shift the idea more towards the mainstream and practical reality.

In our model we have adopted a genuinely progressive tax system to make the tax simple and fair; we redistribute resources to families with young children to prevent losses in transitioning from Universal Credit (the current UK income support system); and we add some ‘design features’ to the model in order to emphasise that recipients, ie all of us, are expected (though not required) to use this resource to make a contribution to benefit society. Our model works as follows:

- Payments are made to every citizen on a universal basis. EU nationals would receive them only after contributing to the system for a number of years in line with current EU law. Other international migrants would be subject to existing benefit rules. Prisoners would not receive it.
- The weekly amount that any working age person receives is a ‘basic’ amount. In other words, if they are fit and able to work they would have a very strong incentive to do so. And they would not get trapped at low earning levels. This contrasts very heavily with the current system.
- All recipients over 18 could be required to be on the electoral roll, thereby reinforcing citizenship.

To embed the notion of citizenship, we recommended a norm establishing ‘contribution contract’ for young adult recipients:

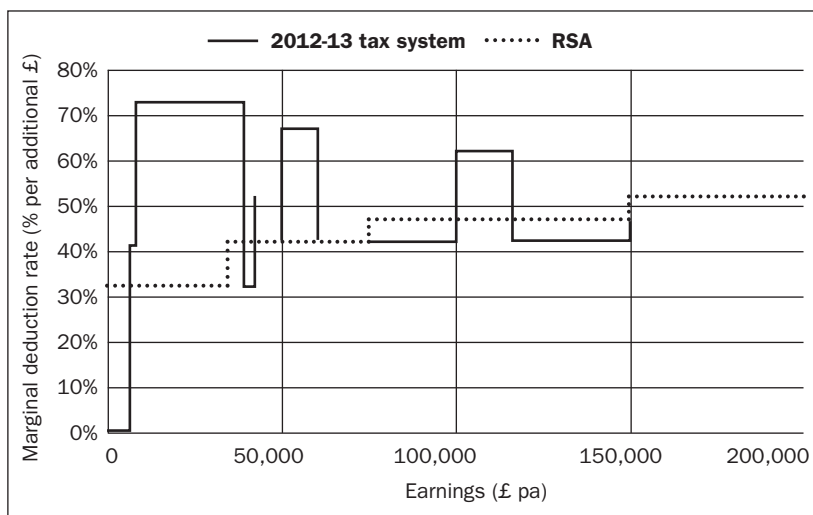
This would be introduced for those aged 18-25. The contract is a civic one made with their friends, family and community to ensure they are contributing and these ‘contracts’ would be in return for the basic income. However, there should be no state monitoring of these contracts and sanctions will not be imposed if commitments are not kept to for any reason. This stops sanctions being re-introduced via another mechanism.

The RSA Basic Income would be paid as follows (on the basis of 2012-13 prices):

- Basic Income of £3,692 for all qualifying citizens between 25 and 65.

- Pension of £7,420 for all qualifying citizens over 65.
- A Basic Income for children aged 0-4 of £4,290 for the first child and £3,387 for other children aged 0-4.
 - This is comparable to the benefits available to low-income households before the child begins school.
 - There would be a reduction in the Basic Income for a third child or more, potentially to zero. This would reduce the cost of the system and would align it even closer with prevailing political and moral expectations.
 - A Basic Income of £2,925 for those aged 5-24 years-old.
 - As a design option, the higher under-fives rate could be kept for older children too but at a cost of £3.7billion.

The tax system we outline would be shaped as follows (the unbroken line shows the current system for ease of comparison):



It is easy to see how our system achieves a much more sane, comprehensible and less distorting way of taxing and redistributing than the current ‘Himalayas’-style tax curve we can see above. The cost of our Basic Income system is greater than the current system. We estimate that the changes we have made would cost up to one percent of GDP over and above the current

model. This sounds like a considerable sum. However, it is no greater than the change that Gordon Brown made to tax credits and well below cumulative changes that George Osborne has made to personal allowances, VAT, inheritance tax and corporation tax *despite austerity*. If the benefits of Basic Income come to be accepted as were major changes to the pension system or NHS funding then one percent of GDP is more than affordable.

So who are the losers? Well, obviously, there are some losses for individuals earning over £75,000 compared with the current system. There are some losses for those who are locked for prolonged periods of time on very low hours. Serious thought is needed on how to address these individuals. Work conditionality and sanctions are not the solution - they are not working. Different types of support are needed and that applies just as much to the current system as it would do under Basic Income. However, the system is dynamic and people languishing in this way involuntarily is not as common as may first appear (people in this range tend to be on flexible and unpredictable hours/work and so their circumstances continually change up and down).

But the big game-changer that has yet to be seriously discussed is the introduction of Universal Credit *and* the 'National Living Wage'. This changes the picture for a Basic Income system considerably. The National Living Wage means that incomes accelerate quickly beyond the point where there may be losses in a Basic Income system. This was a surprise to us but it needs further serious discussion as it quickly improves wage income to a level where there are net gains over the current system. We mapped the consequences of a National Living Wage combined with a Basic Income against the likely net income of five family types from 2020-21. The results were as follows:

The RSA Basic Income model compared with the Resolution Foundation calculations of likely Universal Credit / National Living Wage household income.

Family		2020/21		
		New household income -current proposed system(£)	RSA Basic Gain(£) Income(£)	Gain(£)
1	Single, one child, under five, part-time (20 hours), wage floor	13,480	15,635	2,155
2	Single, one child, over five, part-time (20 hours), wage floor	13,480	14,090	610
3	Couple, two children (one under five), wage floor (one partner 37.5 hours, one 20 hours)	25,840	34,469	8,629
4	Couple, two children (both over five), wage floor (one partner 37.5 hours, one 20 hours)	25,840	33,946	8,106
5	Single, one child (over five), low earning (37.5 hours per week at £11.50 per hour)	18,930	22,889	3,959
6	Single, one child (under five), low earning (37.5 hours per week at £11.50 per hour)	18,930	24,435	5,505

This is an exercise we undertook before and after factoring in National Living Wage. That is the game-changer in all this. The large gains for families with two earners does raise the question of whether there is scope to make up some of the funding shortfall by looking at a higher tax rate at a slightly earlier level. Overall though, our redistributive adjustments mixed with the National Living Wage make Basic Income far more attractive as a relative proposition.

So that’s the technical bits out of the way. **Why do this?**

It’s quite simple: Basic Income supports people in nurturing their lives and frees them to create a new future. Those two young mothers who were taken off their nursing care courses are a case in point. Had there not been such an intrusion into their power to choose they would have got their qualifications and have a different life and be making a bigger contribution. With their new-found confidence they may even have got a degree by now or started a business. Does that matter? Their knowledge and experience about caring could be shared with others – not only on a professional but on a voluntary basis too. Their family life could have felt like it was on an

even greater upwards trajectory instead of being locked between low quality work and an intrusive welfare state. Their mental health, educational outcomes, life satisfaction, all-round well-being could be much enhanced.

That's why. This is not simply a theoretical exercise. It's about what should constitute social justice in a society such as ours. And how we can renew citizenship as it is threatened in so many ways.