

# **Citizen's Basic Income might be a good idea: but is it feasible?**

## **Social Justice Ireland**

22<sup>nd</sup> November 2016

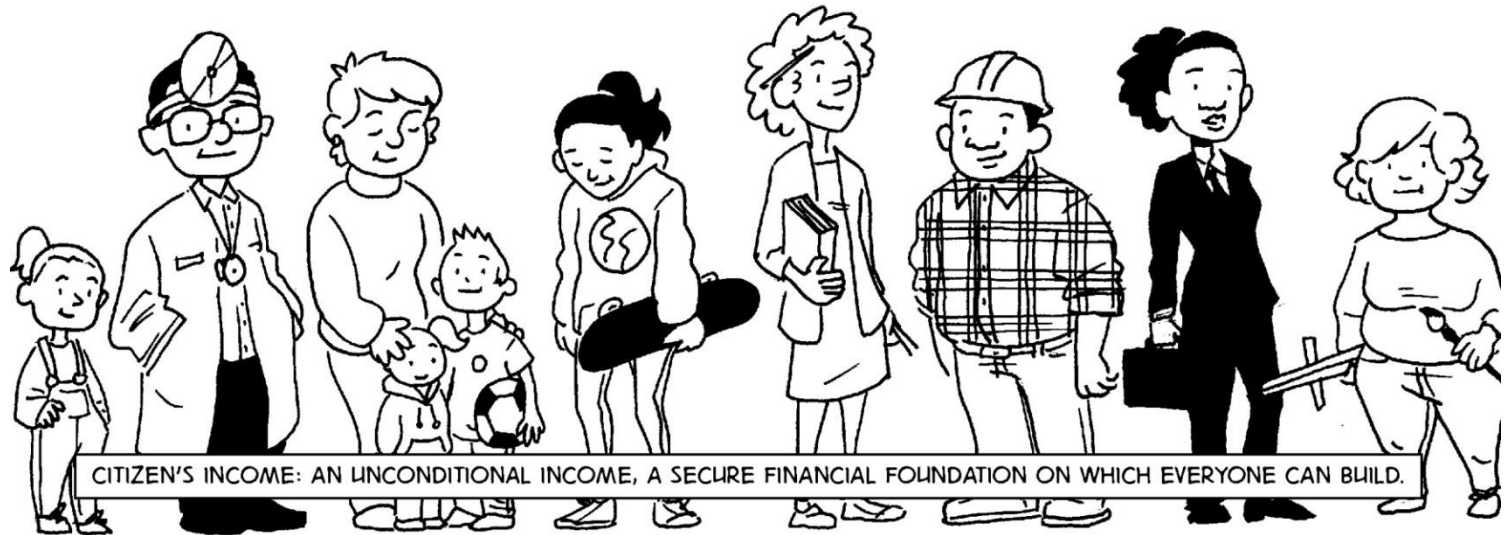
Dr. Malcolm Torry, Director, Citizen's Income Trust, and  
Visiting Senior Fellow, London School of Economics



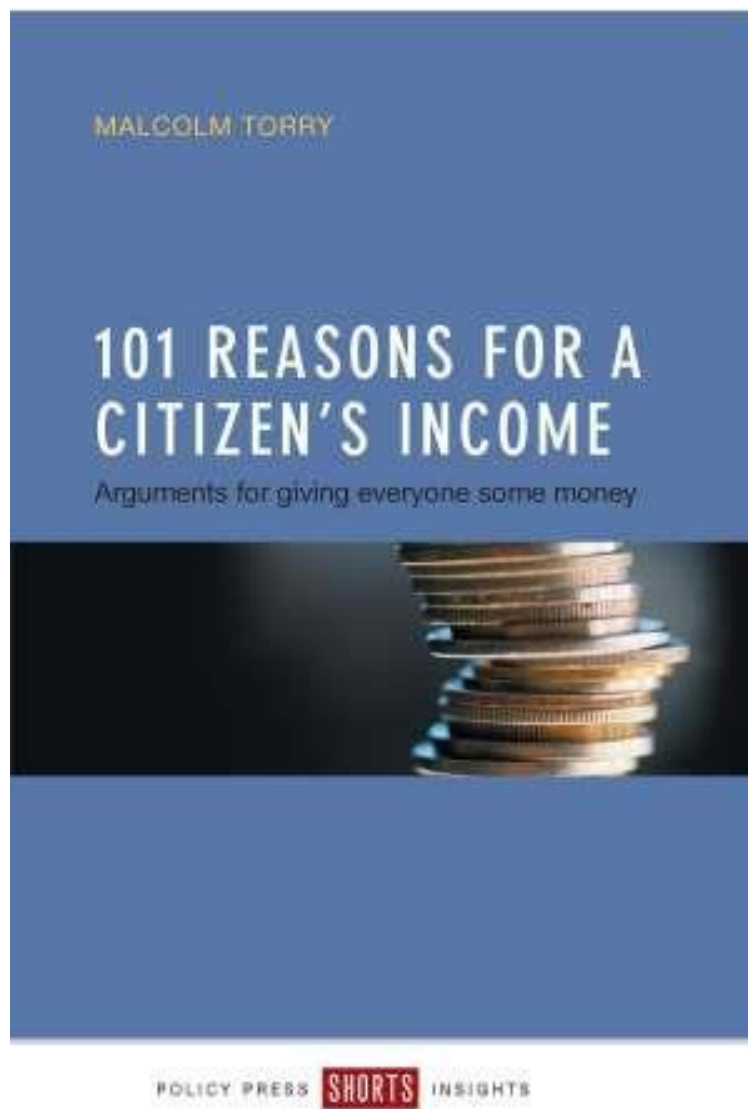
# What is a Citizen's Income?

A Citizen's Income (CI) is an unconditional, automatic and non-withdrawable payment to each individual as a right of citizenship.

(A Citizen's Income is sometimes called a Basic Income (BI), a Universal Basic Income (UBI), a Universal Grant, or a Universal Benefit)



# Arguments for a Citizen's Income



# A few of the arguments:

- A solid floor of economic security on which to build. A Citizen's Income would not be withdrawn as earnings rose, so for anyone receiving a Citizen's Income and no longer on means-tested benefits, net income would rise faster, and there would be more incentive to seek employment, to create self-employment, and to increase earnings.
- Cohabitation, civil partnership and marriage would be neither subsidised nor penalised. Each individual would receive their own Citizen's Income, so there would be more incentive to form and maintain relationships.
- Members of a family would be free to work out together the employment pattern that they wanted, without their choices affecting their Citizen's Incomes.

# A few more of the arguments

- Administrative simplicity
- Automatic and flawless computerisation
- No stigma, little fraud, few errors
- Transparency
- Social cohesion
- Flexicurity: a flexible labour market alongside income security

# Paying for it

- In the short term, a revenue neutral Citizen's Income would probably be required. Income Tax Personal Allowances would be reduced, tax rates would be raised slightly, and changes would be made to National Insurance Contributions
- In the longer term, other funding mechanisms would be possible

# Citizen's Income ...

Desirable?

IT WOULD BE EASY TO UNDERSTAND. WE COULD AFFORD IT. AND IT WOULD BE EASY TO AUTOMATE, MAKING IT CHEAP TO ADMINISTER.



Yes.

But is it feasible?

# But is it feasible?

## Seven feasibilities

- financial a) (Would it be possible to finance a Citizen's Income?)
- financial b) (Would implementation impose significant financial losses on any households or individuals?)
- psychological (Is the idea readily understood, and understood to be beneficial?)
- behavioural (Would a Citizen's Income deliver the benefits promised for it?)
- administrative (Would it be possible to administer a CI? Would it be possible to manage the transition?)
- political (Would the idea cohere with existing political ideologies?)
- Policy process (Would the policy process be able to process the idea to implementation?)

# Two kinds of financial feasibility:

## Fiscal feasibility / Household financial feasibility

### Two illustrative schemes

	Scheme A	Scheme B *
<b>Relationship of Citizen's Income to means-tested benefits</b>	Citizen's Incomes replace means-tested benefits except for Housing Benefit and Council Tax Support. Child Benefit and Basic State Pension are no longer paid.	Means-tested benefits are left in place and CIs are taken into account when means-tested benefits are calculated. Basic State Pension and Child Benefit still paid.
<b>CIs per week</b>		
<b>Citizen's Pension (over 65)</b>	£145.40	£30 ( + Basic State Pension)
<b>Working age adult CI (25 to 64)</b>	£71.70	£60
<b>Young adult CI (16 to 24)</b>	£56.80	£50
<b>Child CI</b>	£56.80	£20 ( + Child Ben.)
		* Recently updated figures

	Scheme A	Scheme B
Relationship of Citizen’s Income to means-tested benefits	Citizen’s Incomes replace means-tested benefits except for Housing Benefit and Council Tax Benefit. Child Benefit and State Pension are no longer paid.	Means-tested benefits are left in place and the Citizen’s Income is taken into account when means-tested benefits are calculated. Basic State Pension and Child Benefit are still paid.
Citizen’s Pension per week	£145.40	£30 ( + Basic State Pension)
Working age adult CI per week	£71.70	£60
Young adult CI per week	£56.80	£50
Child CI per week	£56.80	£20 ( + Child Benefit)
Income Tax rate increase required for strict revenue neutrality	5%	3%
Income Tax, basic rate (on £0 – 42,010)	25%	23%
Income Tax, higher rate (on £42,010 – 150,000)	45%	43%
Income Tax, top rate (on £150,000 - )	50%	48%
Proportion of households in the lowest disposable income decile experiencing losses of over 10% at the point of implementation	28.03%	1.5% (and 3.2% with losses over 5%)
Proportion of all households experiencing losses of over 10% at the point of implementation	15.2%	1.4% (and 16.9% with losses over 5%)
Net cost of scheme	£1.8bn	-£2.8bn: i.e. a saving of £2.8bn

# Some of the effects of scheme B

	Percentage of households claiming benefits in the context of	
	the existing scheme in 2015	scheme B
Out-of-work benefits (Income Support, Income-related Jobseeker's Allowance, Income-related Employment Support Allowance)	15.4%	13.1%
In-work benefits (Working Tax Credits and Child Tax Credits)	20.5%	15.5%
Pension Credit	12.1%	12.3%
Housing Benefit	21.9%	22%
Council Tax Benefit	26.7%	25.3%

	Reduction in total cost	Reduction in average value of claim
Out-of-work benefits (Income Support, Income-related Jobseeker's Allowance, Income-related Employment Support Allowance)	70%	64%
In-work benefits (Working Tax Credits and Child Tax Credits)	27%	3%
Pension Credit	22%	23%
Housing Benefit	2.3%	3.1%
Council Tax Benefit	6.6%	1.4%

# Some even more significant results ...

	The current tax and benefits scheme in 2015/16	Scheme B
<b>Inequality</b>		
Disposable income Gini coefficient	0.292	0.267
<b>Poverty indices</b>		
Children in poverty	10.88%	6.99%
Working age adults in poverty	12.45%	10.20%
Economically active working age adults in poverty	3.81%	3.02%
Elderly	10.63%	13.34%

# Implementation methods for financial feasibility

- To abolish means-tested benefits on the implementation of a Citizen's Income would impose too many losses on low income households
- So initially the means-tested system will need to stay in place. Most households previously on means-tested benefits would find those benefits reduced, so many households would either come off means-tested benefits altogether, or would find themselves on lower amounts of them and would not need to earn as much additional income in order to come off them.
- If additional money became available then the Citizen's Income could be increased, thus reducing further the numbers and amounts of means-tested benefits claims.

# Psychological feasibility

- Embedded presuppositions mean that individual conversion experiences are required
- Minorities can convert majorities
- Public opinion on unconditional benefits can only be tested by establishing a new unconditional benefit for a group regarded as deserving
- Public opinion can shift very fast once the shift has started

# **Administrative feasibility**

- Administration of existing universal benefits promises successful administration of new ones

# Behavioural feasibility

- A Citizen's Income would not tackle some benefits problems
- All that is required is that households' situations should improve (particularly in relation to employment patterns and incentives)
- Behavioural feasibility cannot be demonstrated in advance of Citizen's Income implementation; but Citizen's Income implementation can begin without it

# Political feasibility

Does a Citizen's Income cohere with the ideological positions of the UK's major political parties? ( - parties in the plural because a Citizen's Income's implementation would require all-party support)

- e.g., the New Right, Socialism, One Nation Conservatism, Liberalism, Social Democracy, New Labour's Third Way, Green perspectives
- Each ideology delivers arguments for a Citizen's Income, and so do proponents of the ideologies
- Arguments against a Citizen's Income are generic and not related to the ideologies

# The policy process

- Policy networks and communities (including the media)
- Institutional relationships: think tanks
- The Government, Parliament, and the civil service
- Self-interested players
- Incremental implementation
- Current Government priorities

# Criteria for policy process feasibility

- Addresses problems: poverty, and the poverty trap
- Government, parliamentary, and civil service support
- A policy community (including trades unions)
- Incremental policy change
- Feasible pre and post implementation: so all feasibilities will need to be demonstrated
- The media: implementation for 'deserving' groups
- No compromise:
- A Citizen's Basic Income is unconditional and nonwithdrawable

# **Political, financial, administrative, psychological, behavioural and policy process feasibilities**

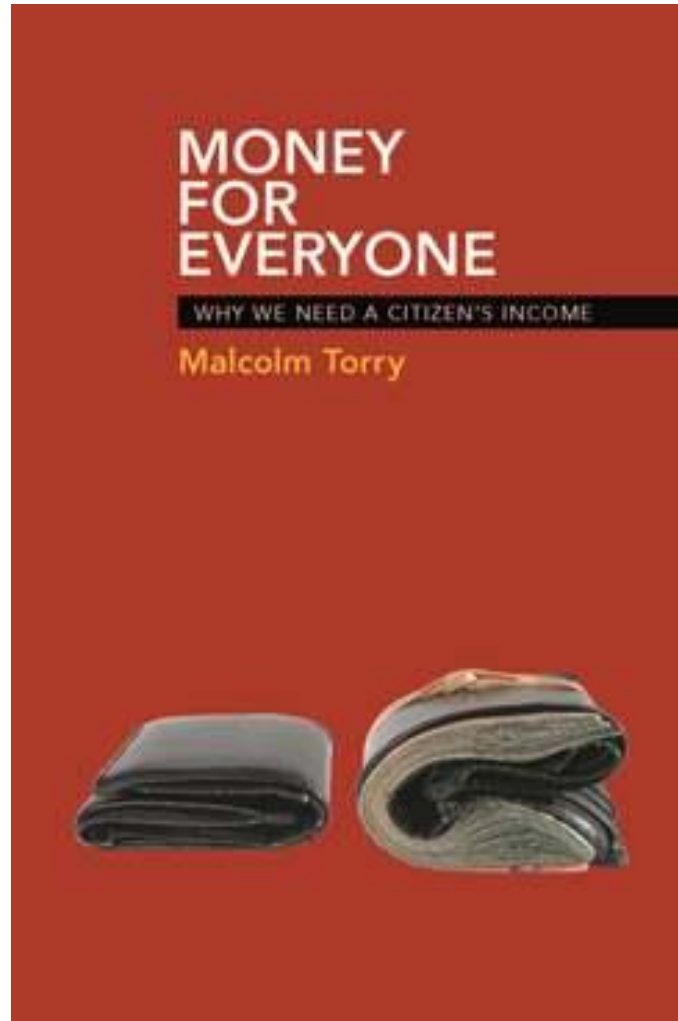
- Political, administrative, policy process and financial feasibilities are necessary pre-implementation feasibilities for an unconditional and nonwithdrawable benefit for a 'deserving' demographic group
- Psychological and behavioural feasibilities can then follow and lay the foundation for an unconditional and nonwithdrawable benefit for another demographic group
- This suggests that a Citizen's Basic Income would need to be implemented one demographic group at a time: pensioners, children, the pre-retired, young adults, and then working age adults.

# Policy accidents

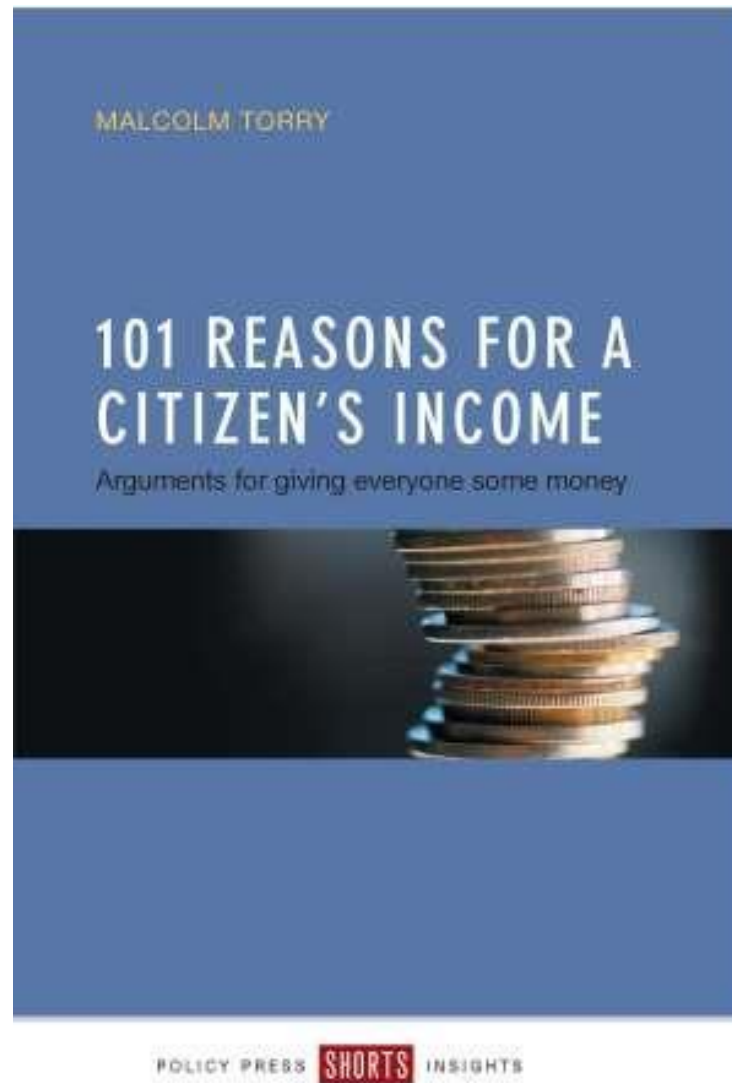
- They happen ...

# Further reading ...

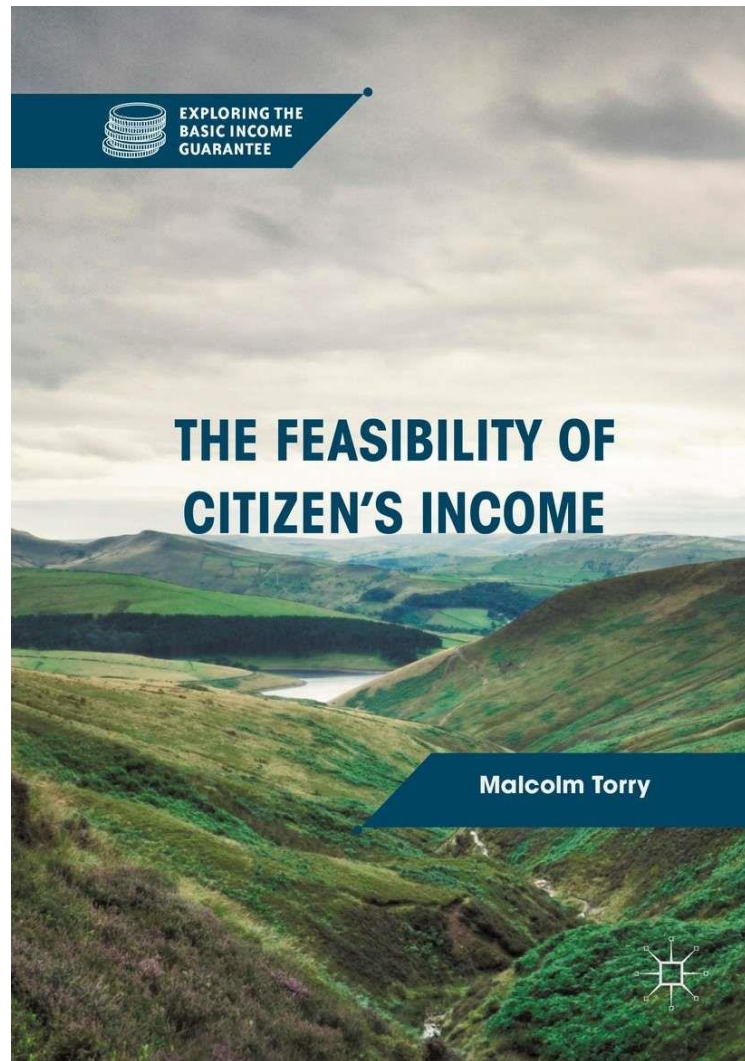
*Money for Everyone: Why we need a Citizen's Income*  
(Policy Press, 2013)



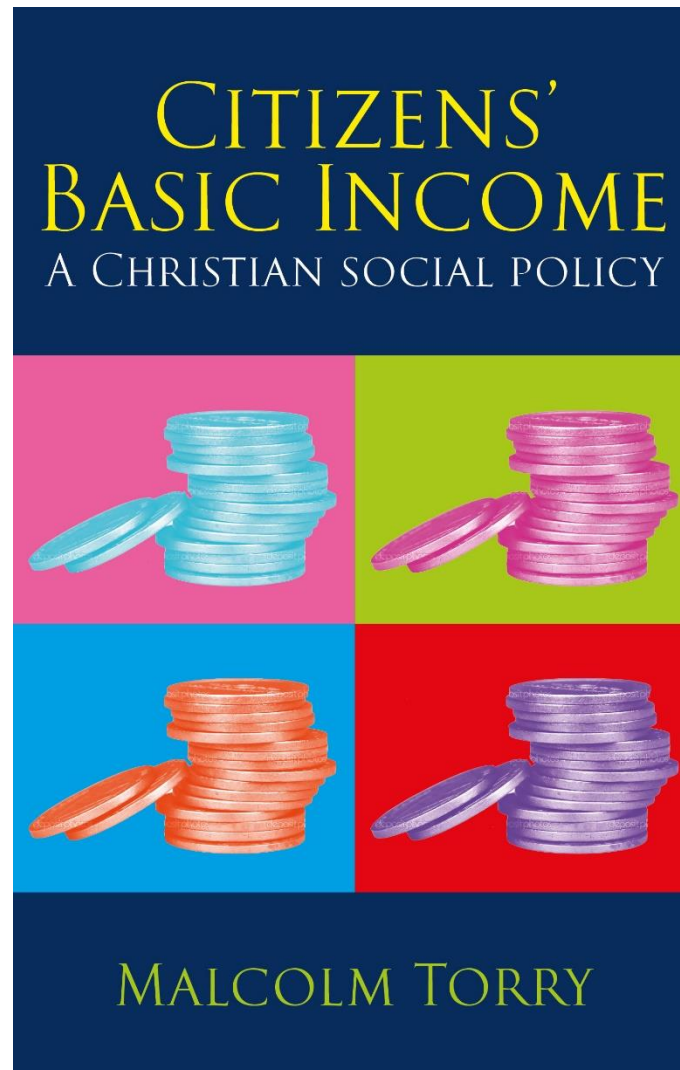
# *101 Reasons for a Citizen's Income: Arguments for giving everyone some money (Policy Press, 2015)*



# *The Feasibility of Citizen's Income* (Palgrave Macmillan, 2016)



*Citizen's Basic Income: A Christian social policy* (Darton, Longman and Todd, 2016)



# The most recent research on financial feasibility

EUROMOD WORKING PAPER SERIES

**EM 5/16**

**An evaluation of a strictly revenue neutral  
Citizen's Income scheme**

Malcolm Torry

June 2016

Institute for Social and Economic Research  
University of Essex

<https://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em5-16>



# www.citizensincome.org

- an introductory booklet is available

## Citizen's Income

A brief introduction

**CITIZEN'S  
INCOME  
TRUST**

2015

### Citizen's Income: A brief introduction

#### Contents

Section		Page
1	What is a Citizen's Income?	3
2	How would it work?	4
3	Six fundamental changes	5
4	Four frequently asked questions	6
5	The current system in the UK	7
6	Three illustrative Citizen's Income schemes	8
7	An illustration: The effect of scheme A	9
8	The financial feasibility of the illustrative schemes	10
9	Housing costs	11
10	Implementation methods	11
11	Alternatives to Citizen's Income?	12
12	The Citizen's Income Trust	13
13	How you can help	14
14	Further reading	15

Thank you to Carl Thompson for the illustrations in this presentation

- Additional slides

# Arguments against:

- There are problems that a Citizen's Income would not solve, such as the housing crisis
- If a Citizen's Income were to replace means-tested benefits then we would not know who would be entitled to other benefits currently given to people on means-tested benefits
- A Citizen's Income would give scarce public money to people who do not need it
- A Citizen's Income would not function as an automatic stabiliser during a recession in the same way that means-tested benefits do

# More arguments against

- A Citizen's Income designed for people who can earn incomes would not be sufficient for people with disabilities who cannot do so
- A Citizen's Income would cause people to stop seeking paid work
- A Citizen's Income would be unaffordable
- Benefits systems are so complicated that it isn't possible to change them
- People in employment would not be willing to fund a benefit that would be paid to surfers
- There are other ways to lift people out of poverty

# The state of the debate

- *The history of the debate in the UK:* Thomas Paine; reinventions; Juliet and Brandon Rhys Williams; think tank research projects and reports; media interest; political party interest; trades unions.
- *Internationally:* BIEN; the Swiss referendum; pilot projects -

# Pilot projects:

**Only in Namibia and India have anything like genuine Citizen's Income pilot projects been held. Here are some of the Namibian results:**

- Administrative costs are just 3% to 4% of the total outlay
- the villages of their own volition elected an advisory committee of 18 residents, and among its achievements are the opening of a post office, the establishment of savings accounts, and the closure of shebeens on the day of the monthly distribution of the grants
- new shops have opened
- the number of people experiencing daily food shortages fell from 30% to 12% of the population in just six months
- the number of people who rarely experience food shortages rose from 20% to 60% of the population
- the number of children malnourished fell from 42% to 17% of the population

## Namibian pilot projects results, continued ...

- children's weight for age improved to such an extent that from a low base it came to nearly match the world average
- the vast majority of children in families receiving the Citizen's income were in school by July 2008 because their families are rational in their children's interests and therefore regard school fees as essential expenditure, suggesting that cash transfers conditional on school attendance are simply a waste of administrative resources
- use of the clinic (which charges fees) increased six-fold
- economic activity rose, suggesting that people are not intrinsically lazy
- economic activity rose fastest amongst women

## Namibian pilot projects results, continued ...

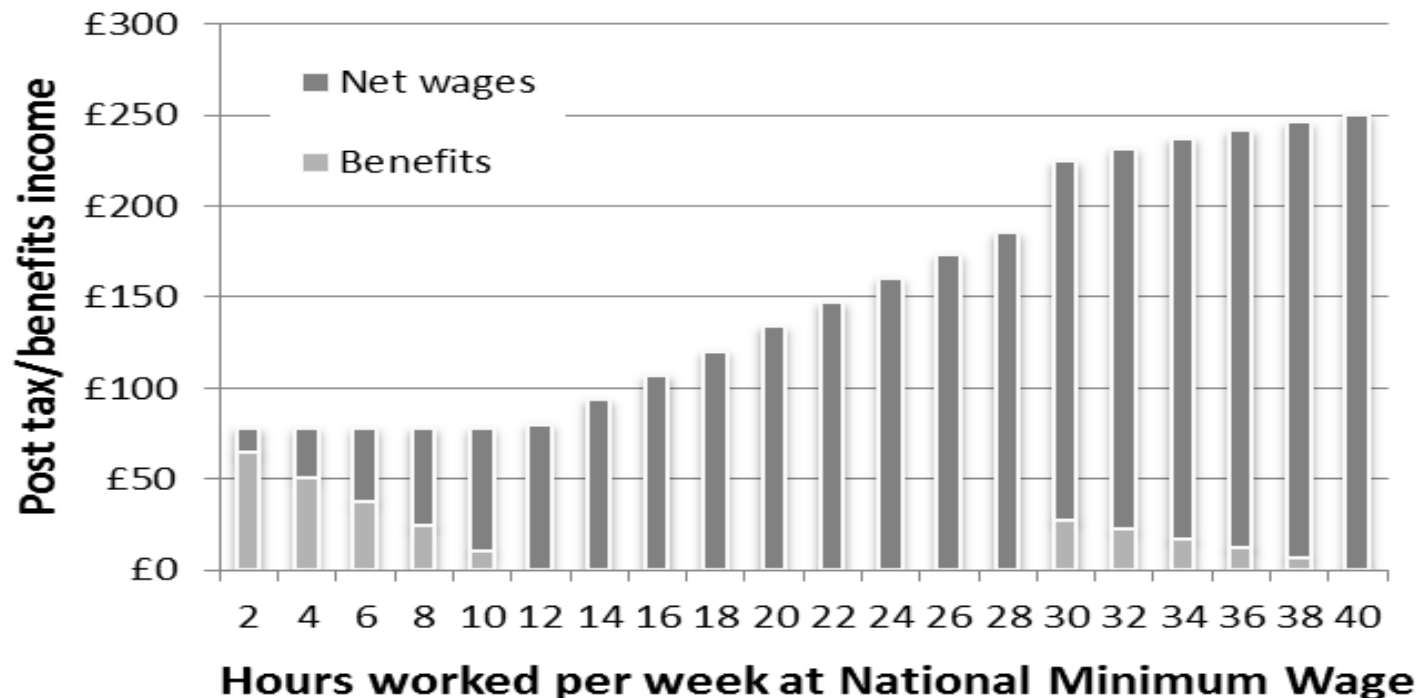
- own account work saw the largest increase, and particularly the tending of vegetable plots and the building of latrines, both of which increase the community's health
- average income rose in every quintile, and proportionately more for lower quintiles
- average income rose a staggering 200% in the lowest quintile *excluding* the N\$100 (US\$12) Citizen's Income, because people could now purchase the means for making an income, and they did
- poverty-related crime fell, giving people confidence to invest in assets
- low wage employment was in many cases replaced by better paid self-employment
- women could now say 'no' to requests to sell sex

# Other pilot projects

- The larger Indian pilot project exhibited similar results, and in particular new empowerment for people with disabilities
- Canadian and United States Negative Income Tax pilot projects (similar to Citizen's Income in economic terms, but administratively very different) showed that a secure income floor does not generally reduce employment effort, but that it does have some small and potentially useful effects: Individuals who lose their job take longer over finding a new one (suggesting that they're looking for the right job, not just any job); mothers of young children reduce their employment hours but do not generally leave the employment market; and young adults are more likely to go to college to gain qualifications than to go straight into employment.
- We don't yet know whether the Finnish and Utrecht pilot projects will be Citizen's Income pilot projects.

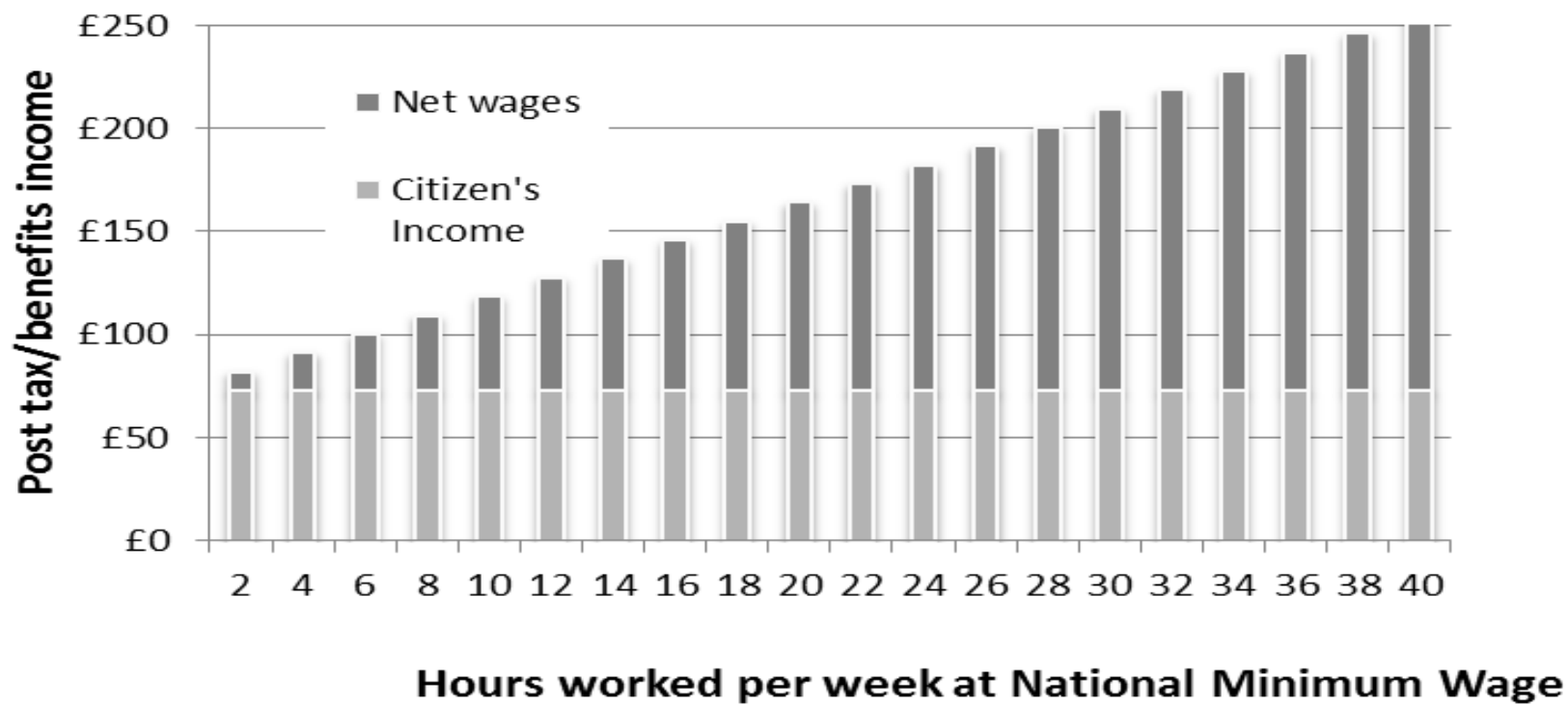
# How today's means-tested system works or a single adult with no children

**Net income of a single earner in 2015/16 aged 25 and receiving the National Minimum Wage and means-tested benefits**



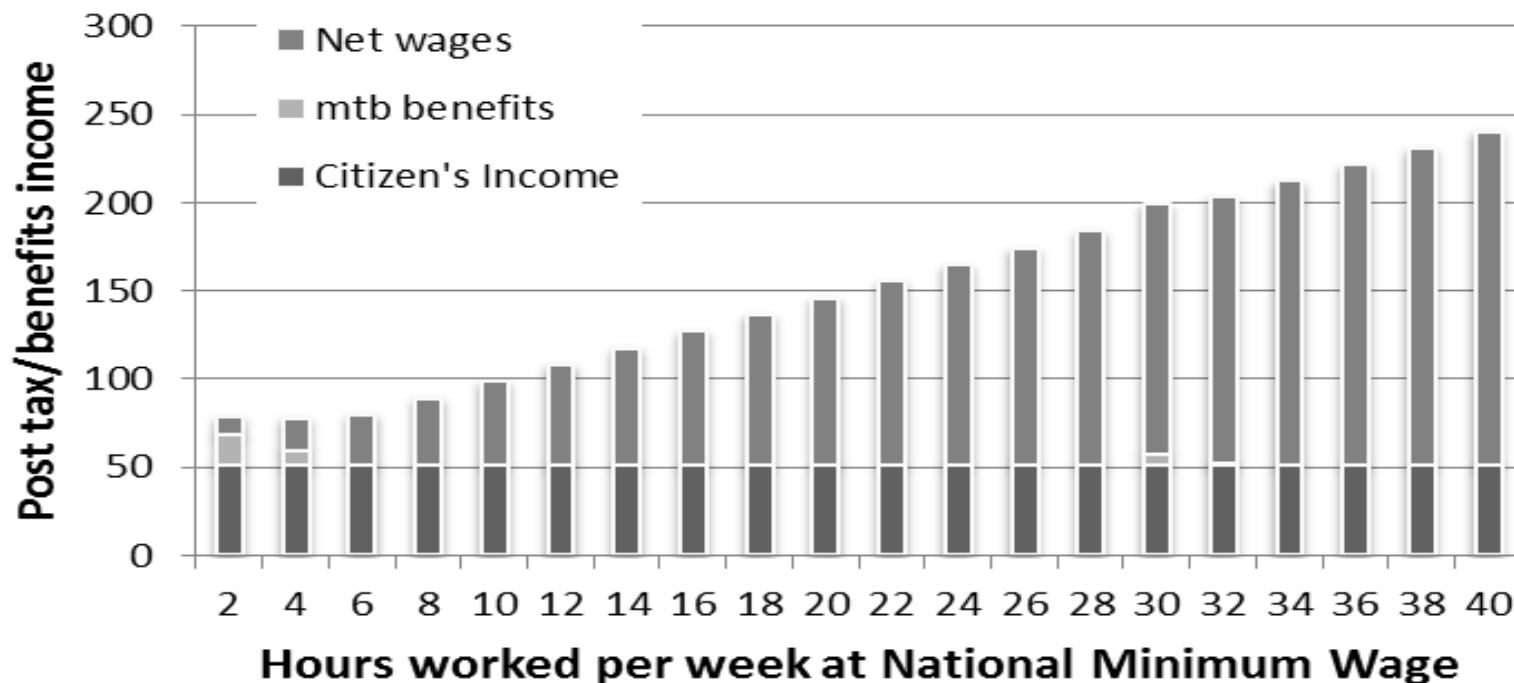
# How scheme A would work for a single adult with no children

**Net income of a single earner in 2015/16 aged 25 and receiving the National Minimum Wage and a scheme A Citizen's Income of £73.10 per week**



# How scheme B would work for a single adult with no children

**Net income of a single earner in 2015/16 aged 25 and receiving the National Minimum Wage, a scheme B Citizen's Income of £51.50 per week, and continuing and recalculated means-tested benefits**



# Comparison of schemes A and B with the current scheme

