

Universal Basic Income

Rishi Shori (Head of Leader's Office)

Aidan Hall (Strategic Policy)



Discussion

- What is Universal Basic Income (UBI)?
- Modern context for UBI
- Arguments for and against UBI
- Case studies
- Where is it currently applied?
- UBI in England
- Key questions for committee to consider

What is Universal Basic Income (UBI)?

- Idea of a state-run basic income dates back to the early 16th century
- Renewed interest in recent years and months
- Guaranteed cash payment to all citizens
- Three principles:

Sufficient cash benefit to live on, without other earnings

Does not phase out or phases out only as earnings rise

Available to a large proportion of the population, rather than targeting a subset
(in theory)

Modern context for UBI

Drivers

- Growing levels of poverty and inequality
- Labour force participation
- Job insecurity
- COVID-19

Forces

- Technological change
- Ageing population
- Climate Change

43%

Birmingham population that live in the 10% most deprived areas in England.

1 in 3

• Children living in poverty.

77,380

• Seasonally adjusted unemployment in Birmingham (Claimant Rate of 14.5%).

Arguments for and against UBI

For

- a) Reduce the need for means testing and other administrative costs.
- b) Address issues of unclaimed benefits which cost an estimated £16bn a year.
- c) People would have more choice around the type or length of employment they partake in; returning to or undertaking part-time education; allow for domestic labour such as caring for children or relatives.
- d) More choice of the type and length of employment.
- e) Alternative tool to tackle poverty in the UK, which would benefit lower earners the most.
- f) Potential mechanism for economic stimulus.

Against

- a) Overall cost to the economy (dependent on model used).
- b) £1,000 a month (£66bn a month) is greater than other universal spending. Universal Credit costs around £60bn/year.
- c) May have impact on incentive to work and could lead to an increase in joblessness.
- d) The means-tested benefits system cannot be replaced solely by UBI on the basis of overall cost, which means administering the additional support is still required.
- e) Unless the UBI is pitched above current levels of benefit, it could sustain levels of poverty (need additional financial gain).

Case studies of pilots

Finland (2017 – 2019)

- a) First scheme backed by national government and first advanced economy to pilot a widespread BI pilot (not UBI).
- b) A random sample (2,000) of unemployed people (aged 25-58) were paid a monthly €560 (£475) – no requirements.
- c) Those on the scheme were **no more likely to find employment than a control group**, but did feel happier and less stressed.

The Netherlands (2015 – 2020)

- a) Variations of BI pilots were launched in several cities including Utrecht.
- b) Participants (250) took part in a randomised control trial, where recipients received £1,050 unconditionally, while the control group had to do volunteer work.
- c) The payments were limited to welfare claimants.

Scotland (2017 – Present)

- a) Four local authorities to jointly investigate a Citizen's BI Scheme.
- b) Limited by powers in the current devolution settlement.
- c) Explored the feasibility of a pilot.
- d) Report concludes a CBI pilot is desirable, but recognises the significant challenges involved.

Where is it currently applied?

- No country has introduced a UBI.
- **Alaska's** *Permanent Fund Dividend* has been paid out annually since 1982 (~\$2,000/year).
- **Spain** is planning to launch a guaranteed minimum income scheme (not a UBI) which will top up incomes to a guaranteed level of between €461 and €1015 depending on individual circumstances. The cost is estimated at €3bn a year, with an average top-up payment of €313 per household.
- In the **United States**, adults received a one-off payment of \$1,200 (£950) each and children \$500 (£400).

UBI in England

- Despite the interest, there has not been a full-scale pilot completed in England.
- **Liverpool City Council** passed a motion to pilot BI back in 2018, ‘under the next Labour Government’.
- **Hull City Council** wrote to the chancellor in January 2020 to request permission to pilot UBI following the backing of councillors.
- **Sheffield City Council** formally supported a UBI trial last year following a detailed proposal from UBI Lab Sheffield (published March 2019):
 - Three separate pilots (each with 4,000 participants)
 - The Tweak (£18m), The Top-up (£23m) & The Replacement (£60m)

Hull asks to be first UK city to trial universal basic income

Under proposal, every adult would get between £50 and £100 a week regardless of income



Sheffield council backs universal basic income trial

City moves closer to hosting pilot of ‘radical’ scheme Labour has vowed to trial if in power



Key questions for committee to consider

- Is there a need for UBI in Birmingham in the context of:
 - Existing policy (e.g. Job Retention Scheme and Bonus, Kickstart Scheme)?
 - Demographic and socio-economic factors (e.g. rates of unemployment)?
- What does the current legal framework allow? Where does it sit within the existing welfare and taxation system?
- In light of the above:
 - How much would each person receive (amount)?
 - Who would receive it?
 - Universal Basic Income or Basic Income?
- Public perceptions in Birmingham of UBI
- Alternative policy propositions such as the TUC Jobs Guarantee