

Universal Basic Income

What is Universal Basic Income (UBI)?

Universal Basic Income (UBI) is a guaranteed cash payment the state provides to all citizens. The policy has three main principles:

- The payment provides a sufficient cash benefit to live on, without other earnings
- It does not phase out or phases out only as earnings rise
- It is available to a large proportion of the population, rather than targeting a subset

The drivers of the UBI debate in the UK are growing levels of poverty and inequality, labour force participation and job insecurity. Many also believe there is a need to de-bureaucratise the welfare state. Following the coronavirus crisis, there has been calls for strengthening our social security. Globally, more than [500 leading public figures and academics](#) have called for an emergency basic income (BI) as a response to the crisis.

Where is UBI currently applied?

Finland completed the first scheme backed by a national government, which ran from January 2017 – January 2019. It was the only advanced economy to pilot a widespread scheme, although it was a BI experiment, not a UBI trial. A random sample (2,000) of unemployed people (aged 25-58) were paid a monthly €560 (£475), with no requirement to seek or accept employment. The payments were made to a restricted group and were not enough to live on. The final report is due to be published in 2020. Researchers suggested that [those on the scheme were no more likely to find employment](#) than a control group. However, participants reported feeling happier and less stressed.

In 2015, [The Netherlands](#) passed legislation allowing local authorities to test the idea of BI by experimenting with social policy. In 2017, variations of BI pilots were launched in several cities including Utrecht. Participants (250) took part in a randomised control trial, where recipients received £1,050 unconditionally, while the control group had to do volunteer work. The payments were limited to welfare claimants, with people randomly selected and assigned to be a recipient or to be in the control group. The results are due to be published in May 2020.

UBI in the UK

In 2017, the **Scottish Government** expressed support for local authorities (four) to jointly investigate a Citizen's BI Scheme. An [interim report](#) was published in October 2019. Scotland's first minister said the case for UBI has been strengthened "immeasurably" by the pandemic. Some argue that Scotland has the political appetite for radical change but lack the powers to do so in the current devolution settlement. Similarities can be drawn between this position and that of many cities in England.

Despite the interest, there has not been a full-scale pilot completed in England. There are seven [UBI Lab](#) groups including Newcastle, Sheffield, Liverpool and Hull.

[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), which is outlined [below](#).

[Liverpool City Council](#) passed a motion to pilot BI back in 2018, 'under the next Labour Government'.

Economic policy in the Coronavirus pandemic: Variations of UBI?

The **UK** Government has several measures in place to support the economy, businesses and individuals during the crisis. One of which is the [Coronavirus Job Retention Scheme \(CJRS\)](#). Guy Standing argues that a [BI would be a more suitable option](#) by compensating equally, reducing inequality and by being less expensive to administer.

[Spain](#) is planning to launch a guaranteed minimum income scheme costing €5.5 billion (£4.8 billion) a year. It was agreed in December 2019 but accelerated due to the pandemic. Some see this policy as a move towards long-term full UBI in Spain.

The [United States](#) have introduced cash measures totalling \$290 billion. Adults are receiving a one-off payment of \$1,200 (£950) each and children \$500 (£400). At higher incomes, the benefit payments reduce in size (\$5 for every additional \$100 of income after a threshold). There are conditions of the economic relief depending on filing status (married, head of household, number of dependents etc.).

Methods of implementing UBI

Currently, basic programs are being run with small groups (few hundred to a few thousand people) and not an entire population. By definition, the program is not universal, in other words, they are offering BI. There are some exceptions – [Kenya](#), where a big UBI experiment is underway; [Iran](#), which has a nationwide cash transfer program; and [Alaska](#). In a [report](#) presented to the Shadow Chancellor, Guy Standing outlines five methods of implementing a pilot:

1. *Replacing means-tested benefits* - A locality (sample of people) are provided with a BI, but those with special needs receive additional separate benefits. The BI (£100/week for adults and £50/week for each child) would replace means-tested benefits, but not housing benefit (retained or replaced). The purpose of the model would be to determine if the positive outcomes (better health, reduced stress, less crime) make this a credible option due to significant costs (tax increases or diversion of spending).
2. *Re-calculating means-tested benefits* - A locality are provided with a BI (£70/week for adults and £20/week for each child) on top of Child Benefit. Means tested benefits would be left in place, BIs would be added to the means considered in their calculation. This model requires HMRC and DWP to define the locality by postcode boundaries.
3. *Common dividends* - A locality are provided with a BI on top of existing state funds. One option is to provide £50 to each adult, which would not be considered in determining means-tested benefits. An example of this policy is **Alaska**, which pays an annual dividend to everyone in the state. It pays citizens between \$1000 and \$2000 a year (depending on the oil price) from the Alaska Permanent Fund, a state-owned investment fund financed by oil revenues. Economists determined that [the dividend had no effect on employment](#).
4. *Targeted pilot* - A sample of the population receiving benefits would have existing conditions for entitlement to means-tested benefits removed – making the benefits closer to a BI. This type is similar to pilots tested in [The Netherlands](#) and [Finland](#).
5. *Cash grants* - A refinement of an approach adopted by the City of London where a group of homeless were given a cash grant instead of other measures. It led to financial savings and most of them obtaining places to stay.

When designing a pilot, it is essential that they are replicable and can be upscaled. For models 1-4, it is recommended that the pilot should cover a whole community (not done in the case of Finland).

The UBI pilot in Sheffield: Options for Implementation

While there have been pilots elsewhere, the UBI pilot in Sheffield would be the first full-scale pilot in England. Sheffield proposed three separate options for pilots. In each, **4,000 participants** will receive UBI for **3 years** and be compared to a control group who do not receive UBI. They vary in ambition and funding requirements (broken down in the proposal).

1. *The Tweak: Taking conditionality out of illness and disability benefits*
Cost: £18 million
2. *The Top-up: Non-means-tested payment to everyone (Adults: £1,560/year)*
Cost: £23 million
3. *The Replacement: Re-organising the tax and benefits system (Adults: £6,000 per year plus additional components for people who are disabled, with children, and over retirement age.*
Cost: £60 million

The case for and against UBI

The following are summaries found from [Compass](#), the [Fabian Society](#), and the [Institute of Economic Affairs](#).

For UBI:

- UBI would be a robust safety net in the form of universal social security and would capture those who may currently fall through the gaps. It would reduce the need for means testing and other administrative costs. UBI would also address the problems of [unclaimed benefits](#), the poverty trap and the associated stigma.
- Provide more flexibility around work, education, leisure, and childcare. 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.
- It is an alternative tool for tackling poverty, one which has not yet been tested in the UK and would see low earners benefitting the most.
- A better distribution of the UK's national income in the context of the world's fragile economic climate and changing labour market (such as automation, overall pay reduction, casualisation).
- Provides a mechanism for economic stimulus if needed, such as the US' current COVID-19 economic stimulus.

Against UBI:

- It would be a large and fundamental shift away from the long-held principles of National Insurance.
- May have a negative impact on incentive to work and could lead to an increase in joblessness. Although evidence from UBI experiments have shown the number of people dropping out of work is low.
- Means-testing would still be required to assist citizens with higher or more complex needs, alternatively the UBI required to replace all benefits would be very expensive.
- May not lead to a fall in poverty as there is no financial gain for people out of work. This may change if employment participation were to rise.
- Unclear the specific issue or problem UBI is trying to solve, defining a problem is often essential to solving it.
- UBI can be favoured as a system which encourages individual freedom and less input from the state. It could be used to argue for reducing the role of public services.